



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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December 30, 1999

My Fellow Kentuckians:

I am proud to present the Commonwealth of Kentucky's Comprehensive Annual Financial Report for the Year Ended June 30, 1999.

This report has been prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Statewide Accounting Services, and audited by the independent Office of the Auditor of Public Accounts. It complies with Generally Accepted Accounting Principles for State Government as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants for measuring the financial activity of the government's various funds.

The information contained herein fairly presents and fully discloses all appropriate financial information required for taxpayers, investors, creditors, and others to understand and evaluate Kentucky's financial position.

Sincerely,

A handwritten signature in dark ink, reading "Paul E. Patton".

Paul E. Patton



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

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INTRODUCTORY SECTION

FINANCIAL SECTION

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP SCHEDULES AND STATEMENTS

GENERAL FUND

The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

Transportation Fund - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

Federal Fund - accounts for monies received from the Federal Government.

Agency Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

Other Special Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

DEBT SERVICE FUND

The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

CAPITAL PROJECTS FUND

The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

ENTERPRISE FUNDS

The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

State Parks Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Lottery Corporation - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

Industries for the Blind Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department for the Blind.

State Horse Park Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund - accounts for insurance risk pools operated by the State. These include:

Kentucky Kare - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

Workers' Compensation Special Fund - provides benefits for workers with illnesses which are not attributable to one employer.

Coal Workers Pneumoconiosis Fund - provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

Petroleum Storage Tank Environmental Assurance Program - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

Mine Subsidence Insurance Program - provides coverage against losses arising out of or due to mine subsidence within this state.

Bond Pool Program - provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

Fleet Management Fund - accounts for expenses incurred and reimbursements received by the Transportation Cabinet for the management and maintenance of the state's motor vehicle fleet.

Computer Services Fund - accounts for expenses incurred and reimbursements received by the Department of Information Systems for computer and related data processing services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received by the Correction Cabinet's industrial prison operations.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

Risk Management Fund - accounts for the self insurance operations of the State which include:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Department of Personnel from State agencies and expended for claims for job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

TRUST AND AGENCY FUNDS

Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

Expendable Trust Funds account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

Unemployment Compensation Fund - accounts for assessed employer contributions and related unemployment compensation payments.

Special Benefits Fund - accounts for other fiduciary monies to be expended only for designated operations.

Pension Trust Funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

Kentucky Employees Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employees of any State department, board or agency directed by Executive Order to participate in the system.

State Police Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

County Employees Retirement System Fund - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

Kentucky Retirement System Insurance Fund - accounts for accident and health insurance benefits for members of the Kentucky Employees, State Police and County Employees Retirement Systems.

Teachers' Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

Judicial Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

Agency Funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

Kentucky Health Purchasing Alliance - accounts for insurance premiums collected from various state and local government units through a third party administrator.

Commonwealth Choice - accounts for flexible benefits spending accounts.

County Sinking Fund - accounts for monies generated through the sale of bonds for specific uses by the counties.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

COMPONENT UNITS

Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

Governmental Funds

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Kentucky School Facilities Construction Commission - established to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs.

Proprietary Funds

Enterprise Funds

Kentucky State Fair Board - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

Kentucky Higher Education Assistance Authority - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Kentucky Higher Education Student Loan Corporation - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.

Kentucky Educational Savings Plan Trust - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, as amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following component units are included:

Eastern Kentucky University
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
University of Louisville
Western Kentucky University
Kentucky Community Technical College System

GENERAL FIXED ASSETS ACCOUNT GROUP

The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and discretely presented component units.

STATISTICAL SECTION

The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.



PAUL E. PATTON
GOVERNOR

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JOHN P. McCARTY
SECRETARY

December 30, 1999

The Honorable Paul E. Patton
Governor, Commonwealth of Kentucky
The Capitol Building
Frankfort, Kentucky 40601

Dear Governor Patton:

INTRODUCTION

In accordance with Section 48.800 (3) of the Kentucky Revised Statutes (K.R.S.), it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1999. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Statewide Accounting Services, which is responsible for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial position and results of operations as measured by the financial activity of the various funds. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letters, the 1998 Certificate of Achievement, condensed summary data charts, and the government's organizational chart and list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and Notes to Combined Financial Statements, the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Reporting Entity and its Services

This report includes all funds, account groups, and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The component units which are blended into the Commonwealth's primary government are: the State Property and Buildings Commission, Kentucky Asset/Liability Commission, Kentucky River Authority, Kentucky Lottery Corporation, Turnpike Authority of Kentucky, Board of Agriculture, Kentucky Savings Bond Authority, Kentucky Retirement System, and Kentucky Teachers' Retirement System.

The Commonwealth's discretely presented component units are: the Bluegrass State Skills Corporation, Kentucky School Facilities Construction Commission, Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Educational Savings Plan Trust, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, Kentucky Community Technical College System, and the eight state supported universities.

The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and public protection services, transportation, public improvements, and general legislative, administrative, and judicial services.

ECONOMIC CONDITION AND OUTLOOK

Discussions of a "new economy" are gaining credence as the U.S. economy continued its upward progression in FY 1999. Despite a stretch of eight years of uninterrupted expansion, no slowdown is in sight for the domestic economy. The output of total goods and services as measured by the real domestic product (GDP) grew by 4.0 percent over the previous year, slightly below the 4.4% pace set the previous year. This economy is "new" in the sense that economic growth has not mitigated appreciably during the expansion, where typically the fastest growth occurs at the beginning of the upturn.

The Kentucky economy has shared in this national prosperity. Kentucky nonagricultural employment growth totaled 2.3% in FY 1999, exactly matching the growth rate in national employment. Average unemployment rates also plunged to 4.3% for both the U.S. and Kentucky. Personal income for FY 1999 is not directly comparable, since U.S. personal income was revised upward and the state equivalent revisions are not due out until the spring. After the revision, U.S. personal income growth was 5.1% compared to 5.5% in FY 1998.

Consumer activity continues to fuel the Kentucky and U.S. economies. Low interest rates and anemic inflation have combined with solid income growth to create a climate very favorable to consumers. A bullish stock market has also added to consumer confidence, further propelling the consumption side of the economy. Our trading partners seem to have averted trouble as well. The Asian economies are recovering more quickly than expected, and the growth in Europe has accelerated in recent months. Latin American is still in recession, but expectations have improved there as well.

With no major pitfalls on the horizon, the outlook for Kentucky is for modest employment and income growth with no recession in sight. Income growth should improve slightly over the FY 1999 total, while employment growth may moderate slightly due to the tight labor markets.

MAJOR INITIATIVES

The numerous, and in some cases unprecedented, major initiatives authorized by the 1998 Regular Session of the General Assembly received their funding support effective with the onset of the 1999 fiscal year. Consequently, the year was devoted to the implementation and execution of these gubernatorial and legislative initiatives. This required the simultaneous coordination of the postsecondary education improvement programs; continued progress in elementary and secondary education; implementation of the capital improvement and community infrastructure initiatives as well as juvenile justice and crime reduction programs; the largest investment in information technology in the Commonwealth's history; and adherence to bedrock financial principles to maintain a structurally balanced budget and to support a progressive, far-reaching agenda aimed at propelling Kentucky to an economic standing equal to or greater than the national average by the year 2020.

Among the prime indicators of the performance of Kentucky state government was a published report by Governing magazine and Syracuse University which "graded the states." Entitled "The Government Performance Project," this evaluation was the most comprehensive analysis of public management ever completed. Kentucky received an overall grade of B. Only five states garnered higher marks. Thirty-three states received lower grades. The top Kentucky grades were for "financial management" and "capital management" - two cornerstones of the 1999 initiatives. The report indicated in its findings that "Kentucky used to do no planning. Now, it plans for everything."

Your administration is the epitome of this planning effort in that the goals are of a long-term character in recognition of the high level of sustained effort required to reach them. That sustained effort was given a major boost when the primary elections were conducted that, for the first time in the Commonwealth's history, allowed an incumbent Governor to succeed himself. Gubernatorial succession was permitted for the first time in calendar 1999 by virtue of a Constitutional amendment approved by the voters in 1992. Your unopposed primary victory opened the door to a second four-year term which would serve to facilitate continuity of programs and redirection to the initiatives and principles embraced in 1999 and previously throughout your Administration. The opportunity for gubernatorial succession meant, for the first time in 200 years, that the policies and principles of a Kentucky Governor would not automatically be interrupted or suspended after just a four-year period.

1999 marked the implementation of the most far-reaching General Fund Surplus Expenditure Plan ever in the Commonwealth. The Governor and General Assembly had anticipated and statutorily earmarked certain "nonrecurring" revenue collections for the following uses: a Statewide Infrastructure and Endowment Fund; a School Technology Projects Fund; a State Technology Projects Fund; and the Budget Reserve (rainy day) Trust Fund.

The total appropriated to these four funds in 1999 was \$366,408,000. The anticipation proved prescient when the entire amount was realized and appropriated at the outset of the fiscal year. This permitted an unprecedented investment in endowed chairs for the Commonwealth's principal research universities, i.e., the University of Kentucky and the University of Louisville (\$100 million to be matched by a like amount of university fund-raising); \$107 million in cash funded construction projects; \$60 million for computers in the classrooms at the K-12 level; and \$58 million in state government technology advancements including Year 2000 compliance, criminal justice enhancements, technical education school upgrades, and the next phase of the EMPOWER Kentucky program to reengineer state government operations. Over \$30 million was earmarked to help build the Budget Reserve Trust Fund to a \$230 million all time high. This initiative touched every county and nearly every community in the state from Grapevine to Thousandsticks to the urban centers - funds were devoted to basic community infrastructure as well as with sophisticated computer technology initiatives. The backbone was the investment in postsecondary education quality advancements.

The most significant new financial development in 1999 was agreement upon a national tobacco settlement between the states and the major tobacco manufacturers. This unprecedented agreement permitted Kentucky's tobacco growers, allotment owners, and workers to receive a substantial cash settlement to support their families and sustain farm community economies during a period of national re-examination of tobacco-related issues. At the same time, the Commonwealth itself became eligible to receive a parallel stream of tobacco settlement funds to compensate for the costs of tobacco-related health costs and to induce development of a more diverse and sustainable economy for Kentucky's communities. This portion of the settlement funds was designed to reimburse the Commonwealth for costs previously incurred and still to be incurred as a result of tobacco's influence.

FINANCIAL INFORMATION

The Accounting System and Budgetary Controls

The Commonwealth's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental funds, expendable trust funds, and agency funds are presented on the modified accrual basis of accounting whereby revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received and the related liabilities are incurred. The proprietary and pension trust funds are presented on the accrual basis of accounting with all revenues and expenses recognized when the transactions occur, regardless of when related cash is received or disbursed.

In developing and operating the Commonwealth's accounting system, emphasis is placed on the adequacy of internal accounting controls. They are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgements by management. All internal control evaluations occur within this framework.

Budgetary control is maintained at the budget unit level described in the Notes to Combined Financial Statements by the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances in the Commonwealth's Special Revenue and Capital Projects Funds at June 30, 1999.

General Fund Condition - Budgetary Basis

General Fund revenue on a budgetary basis for 1999 was \$6.23 billion, an increase of 1.3% over 1998. This amount includes \$6.20 billion in tax and non-tax receipts, and \$31.75 million of Operating Transfers In. Taxes represented 94.9% of all General Fund revenue collected during the period. The amounts and percentages of 1999 revenue derived from specific sources and the changes from 1998 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Revenue and Other Financing Sources - Budgetary Basis

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1998	
			Amount	Percent
Individual Income Tax	\$ 2,532,005	40.7%	\$ 113,860	4.7%
Sales and Gross Receipts Taxes	2,263,518	36.3%	108,332	5.0%
Property Taxes	417,478	6.7%	19,626	4.9%
Corporate Income Tax	312,067	5.0%	(21,599)	(6.5%)
Non-Tax Revenue	286,608	4.6%	(10,596)	(3.6%)
Severance Taxes	174,777	2.8%	(11,281)	(6.1%)
License and Privilege Taxes	127,004	2.0%	12,163	10.6%
Inheritance and Estate Taxes	81,483	1.3%	(24,055)	(22.8%)
Operating Transfers In	31,751	0.5%	(106,666)	(77.1%)
Miscellaneous Taxes	3,447	0.1%	131	4.0%
Total General Fund Revenue	\$ 6,230,138	100.0%	\$ 79,915	1.3%

General Fund expenditures on a budgetary basis for 1999 totaled \$6.54 billion, including Operating Transfers Out of \$727.99 million. During 1999, expenditures increased by 3.5% and transfers decreased by 113.5% compared to 1998. The general government function includes \$857.47 million of expenditures and \$2.62 million of transfers for the eight state supported universities, which together amount to 13.2% of the General Fund total. The amounts and percentages of 1999 expenditures for the various governmental functions and the changes from 1998 are shown below (expressed in thousands) and are illustrated in Chart 1.

General Fund Expenditures and Other Financing Uses - Budgetary Basis

Function	Amount	Percent of Total	Increase (Decrease) from 1998	
			Amount	Percent
General Government	\$ 1,797,030	27.5%	\$ 427,368	31.2%
Legislative and Judicial	184,755	2.8%	18,531	11.1%
Commerce	51,000	0.8%	(69,202)	(57.6%)
Education and Humanities	2,781,733	42.5%	94,913	3.5%
Human Resources	1,203,880	18.4%	85,842	7.7%
Justice	377,310	5.8%	16,960	4.7%
Natural Resources and Environmental Protection	56,953	0.9%	4,698	9.0%
Public Protection and Regulation	63,181	1.0%	(6,740)	(9.6%)
Transportation	6,303	0.1%	632	11.1%
Non-budgetary Items	16,876	0.2%	8,259	95.8%
Total General Fund Expenditures	\$ 6,539,021	100.0%	\$ 581,261	9.8%

The General Fund had a 1999 budgetary undesignated fund balance of \$64,193,087. This is a decrease of \$291,822,378 under the 1998 year-end budgetary undesignated fund balance of \$356,015,465.

General Governmental Functions - GAAP Basis

General governmental functions on a GAAP basis are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled \$11.77 billion for 1999, an increase of 1.5% over the amount recognized during 1998. The amounts and percentages of 1999 revenue derived from specific sources and the changes from 1998 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Revenue - GAAP Basis

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1998	
			Amount	Percent
Taxes	\$ 7,075,495	60.1%	\$ 203,647	3.0%
Intergovernmental	3,825,985	32.5%	16,299	0.4%
Charges for Services	298,952	2.5%	9,397	3.2%
Licenses, Fees, and Permits	188,304	1.6%	17,850	10.5%
Other Revenues	185,881	1.6%	(33,002)	(15.1%)
Interest and Investments	140,328	1.2%	(51,658)	(26.9%)
Fines and Forfeits	53,024	0.5%	5,759	12.2%
Total Governmental Funds Revenue	\$ 11,767,969	100.0%	\$ 168,292	1.5%

1999 Governmental Funds Revenue was up \$168.3 million over 1998. Tax income rose \$203.6 million, based largely on \$148.1 million in improved General Fund Individual Income Tax collections. Earnings from Interest and Investments fell 26.9% as adjusted to Fair Market Value in accordance with GASB 31. These offsetting amounts account for all except \$14.6 million of the net increase. Other Revenues also dropped, primarily in the General Fund, by 15.1%, but were countered by moderate growth in other sources, especially License, Fee, and Permits income, which rose \$17.9 million, mainly in the Transportation and Agency Revenue Funds.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled \$11.10 billion for 1999, an increase of 4.2% compared to 1998. The amounts and percentages of 1999 expenditures for various governmental functions and the changes from 1998 are shown below (expressed in thousands) and are illustrated in Chart 2.

Governmental Funds Expenditures - GAAP Basis

Function	Amount	Percent of Total	Increase (Decrease) from 1998	
			Amount	Percent
General Government	\$ 556,913	5.0%	\$ (96,067)	(14.7%)
Legislative and Judicial	186,168	1.7%	20,523	12.4%
Commerce	49,927	0.4%	3,974	8.6%
Education and Humanities	3,250,456	29.3%	62,744	2.0%
Human Resources	4,368,927	39.4%	115,573	2.7%
Justice	451,532	4.1%	49,383	12.3%
Natural Resources and Environmental Protection	120,938	1.1%	8,015	7.1%
Public Protection and Regulation	130,245	1.2%	14,766	12.8%
Transportation	1,356,322	12.2%	221,220	19.5%
Capital Outlay	266,165	2.4%	131,059	97.0%
Debt Service	357,698	3.2%	(80,331)	(18.3%)
Total Governmental Funds Expenditures	\$ 11,095,291	100.0%	\$ 450,859	4.2%

The Commonwealth's investments are categorized into four investment pools: Short-Term, Long-Term, Intermediate, and Bond Proceeds Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity to the remaining pools. The Long-Term Pool invests the Budget Reserve Trust Fund account and other funds deemed appropriate for the pool where liquidity is not a serious concern. The Intermediate Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the state. The Bond Proceeds Pool invests in U.S. Treasury and Agency obligations. Capital Construction bond proceeds are deposited into the Bond Proceeds Pool until expended for their intended purpose.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, including: over-the-counter treasury options, the securities lending program, fixed receiver interest rate swaps, and most recently the purchase of mortgage backed securities, and collateralized mortgage obligations.

The Commonwealth has used over-the-counter treasury options since the mid-1980's to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than 20% of the total portfolio of treasury and agency securities. Historically, this commitment has been less than 10% of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980's. The state reverses its treasury and agency securities in exchange for 102% of eligible collateral pursuant to KRS 42.500, marked to market daily. Currently, the Commonwealth receives a guaranteed 7.5 basis points of the average market value of securities in the program.

The Commonwealth has also engaged in an asset-based interest rate swap to better match its assets and liabilities and to stabilize the volatility of interest income. These transactions have required the Commonwealth to pay a floating rate in exchange for a fixed rate over a specific period of time. On September 28, 1995, the State Investment Commission adopted resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed \$200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. Currently, the Commonwealth has no asset-based swap transactions outstanding.

House Bill 5 of the First Extraordinary Session of 1997 was enacted on May 30, 1997. The bill amended KRS 42.500 to authorize the purchase of additional securities with excess funds available for investment. The new classes of securities include: United States dollar denominated corporate, Yankee and Eurodollar securities, issued by foreign and domestic issuers, including sovereign and supranational governments, rated in one of the three highest categories by a nationally recognized rating agency, and asset backed securities rated in the highest category by a nationally recognized rating agency.

On June 18, 1997, the Kentucky Investment Commission adopted policies and procedures to govern the purchase of the new authorized securities. The new asset classes will be limited to 25% of the assets of any investment pool. Corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to \$25 million per issuer. Asset Backed Securities are limited to a stated final maturity of 10 years or less and must have a weighted-average-life of not more than 4 years. The Commission also adopted policies and procedures regarding the investment of funds in United States Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMO"). MBS and CMO are limited to a maximum of 25% of any investment portfolio. MBS are limited to a stated final maturity of 10 years or less with a weighted-average-life of 4 years or less. CMO are subject to the guidelines established by the Federal Financial Institutions Examination Council for CMO security purchases for regulated financial institutions. CMO are further limited to a weighted-average-life of 4 years or less.

Risk Management

The Division of Risk Management (DRM) oversees and coordinates risk management and insurance responsibilities among various state agencies in accordance with KRS 42.0245. For the year ended June 30, 1999, the Division achieved a cash savings of \$555,734 by obtaining lower bids from improved insurance bid specifications and by seeking broader markets. Risk exposures in the amount of \$30.9 million were eliminated for properties that were either uninsured or underinsured. Since 1989, risk exposures of \$59 million have been eliminated for either uninsured or underinsured state property and buildings. The Finance and Administration Cabinet insures property, computers, vehicles, telephones, fidelity bonds, and workers' compensation with a total insurance value of \$373.3 million annually for a premium of \$198,443.

New risk management initiatives fully implemented for the year included self-insuring computers in the State Fire and Tornado Insurance Fund, offering state agencies replacement cost value coverage for buildings without deductions for depreciation with no rate increase, and rewriting insurance bid specifications to accommodate best value purchasing in accordance with KRS 45A.

Currently, the Commonwealth's two major self-insurance programs include: the Fire and Tornado Insurance Fund for property and casualty coverage; and the State Self Insurance Fund for Workers' Compensation benefits. The Finance and Administration Cabinet, in accordance with KRS 45A.022, purchases insurance policies to transfer to insurance companies other financial and catastrophic risks for various state agencies not assumed by these programs. As of June 30, 1999, the Commonwealth terminated the self-insured Kentucky Kare program and offered coverage for health benefits through competitive bidding with the private health insurance markets.

The Fire and Tornado Insurance Fund consists of "premiums" charged to state agencies and universities. Current annual "premiums" of \$5.4 million insure \$5.5 billion in property assets for 6,782 facilities throughout the state. By statute, the Fund must have a reserve of \$5,000,000 at the close of each fiscal year. All losses are reinsured to limit fund liability to \$300,000 for any one loss to each subject of risk. For the year ended June 30, 1999, the Fund paid 256 claims in the amount of \$1,627,427. Earthquake and Flood Coverage for state facilities are available as additional insured perils in the Fund.

The State Self Insured Workers' Compensation Trust Fund provides workers' compensation coverage for state employees. At June 30, 1999, the State program had assets of \$17.0 million and an unreserved accumulated deficit of \$38.3 million. Premium income for the fiscal year increased from \$16.1 million to \$17.4 million and the unreserved accumulated deficit decreased \$4.4 million from the previous fiscal year. The Fund carries reinsurance coverage for large individual or incident claims of \$5 million with limits of \$25 million. The amount of claims paid for the fiscal year was \$10.9 million, which is \$4.3 million less than fiscal year 1998. The Transportation Cabinet has a separate self insured workers' compensation fund for its employees. As of June 30, 1999, the Fund has unpaid liabilities of \$17.9 million. The fund carries reinsurance coverage for claims exceeding \$1 million with limits of \$10 million.

Capital Projects Fund

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Assets Account Group at year end. All uncompleted construction in progress is capitalized in the General Fixed Assets Account Group or appropriate proprietary fund. During 1999, projects costing \$12,137,208 were completed.

Proprietary Funds

Combined operating revenues of the primary government's Enterprise Funds decreased from \$945.1 million for 1998, to \$845.9 million in 1999. Combined operating expenses of these funds increased from \$806.6 million for 1998 to \$814.9 million in 1999. The Kentucky Lottery Corporation paces Enterprise Fund activity with operating revenues and expenses of \$583.1 million and \$423.1 million. At June 30, 1999, there are no outstanding revenue bonds in the State Parks Fund or other blended component units.

Combined operating revenues and expenses of discretely presented component units accounted for in proprietary fund types were \$212.1 million and \$261.7 million for 1999, compared to \$212.1 million and \$240.3 million in 1998. The Kentucky Housing Corporation leads such activity with operating revenues and expenses of \$79.8 million and \$75.6 million. At June 30, 1999, outstanding revenue bonds for the discretely presented component units totaled \$2.35 billion, of which \$945.9 million is accounted for in the Kentucky Housing Corporation. Additionally, \$591.5 million is accounted for in the Kentucky School Facilities Construction Commission, which for the first time is disclosed as a discretely presented component unit, rather than as a blended component unit.

Combined operating revenues and expenses for the Commonwealth's Internal Service Funds amounted to \$135.5 million and \$118.1 million, as compared to 1998 totals of \$124.9 million and \$123.7 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, property management, and insurance administration.

Proprietary funds receive budgeted operating transfers of General Fund appropriations.

Pension Trust Funds

The Commonwealth administers separate retirement systems for Kentucky employees, State Police officers, public school teachers, judges, legislators and county employees. At June 30, 1999, combined total assets for these plans reached \$27.3 billion. The aggregate operating revenue of these funds was \$2.17 billion, including interest and investment income of \$880.8 million. Total operating expenses were \$1.37 billion, including retirement benefits paid of \$949.6 million.

These retirement systems are as follows: Kentucky Employees Retirement System; State Police Retirement System; County Employees Retirement System; Teachers' Retirement System; and the Judicial Form Retirement System (including both the Judicial Retirement Fund and the Legislators' Retirement Fund).

University and College Funds

The eight state-supported universities and Kentucky Community and Technical College System (KCTCS) are discretely presented component units accounted for in the University and College Funds. University and College Current Funds revenue rose from \$1.24 billion in 1998 to \$1.38 billion in 1999 for an increase of 11.4%. State appropriations transferred from the General Fund to these funds went up 11.2% to \$861.2 million. Current fund expenditures and transfers increased 9.1% during 1999, to \$2.22 billion. At June 30, 1999, outstanding revenue bonds for the state supported universities and KCTCS total \$676.4 million, of which \$199.7 million is accounted for by the University of Kentucky and \$161.0 million is accounted for by the University of Louisville.

General Fixed Assets

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, and Component Units Funds. At June 30, 1999, the general fixed assets of Kentucky amounted to \$1.2 billion. This amount represents the valuation of general fixed assets in accordance with GAAP as described in the Notes to the Financial Statements. Depreciation of general fixed assets is not recognized in the Commonwealth's accounting system.

OTHER INFORMATION

Independent Audit

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and the report of the independent auditor appears elsewhere in this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual

Financial Report for the year ended June 30, 1998. This is the twelfth consecutive year the Commonwealth has received this prestigious award.

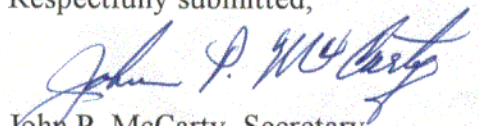
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Divisions of Accounts and Printing, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,



John P. McCarty, Secretary
Finance and Administration Cabinet



FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER

CAPITOL ANNEX BUILDING
702 CAPITOL AVENUE, ROOM 384
FRANKFORT, KENTUCKY 40601-3454
(502) 564-2210
FAX (502) 564-6597

EDGAR C. ROSS
CONTROLLER

PAUL E. PATTON
GOVERNOR

JOHN P. McCARTY
SECRETARY

December 30, 1999

The Honorable John P. McCarty
Secretary, Finance and Administration Cabinet
383 New Capitol Annex
Frankfort, Kentucky

Dear Secretary McCarty:

Pursuant to Section 48.800(3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 1999, is submitted herewith. It contains all funds, account groups and entities that are controlled by or dependent on the Commonwealth based on the criteria developed by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The basis of accounting upon which the report has been prepared complies with Generally Accepted Accounting Principles (GAAP) for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governmental Units.

The information presented fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

Edgar C. Ross, Controller



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




President


Executive Director

Chart 1

General Fund - Budgetary Basis

Fiscal Year 1999

(amounts in billions)

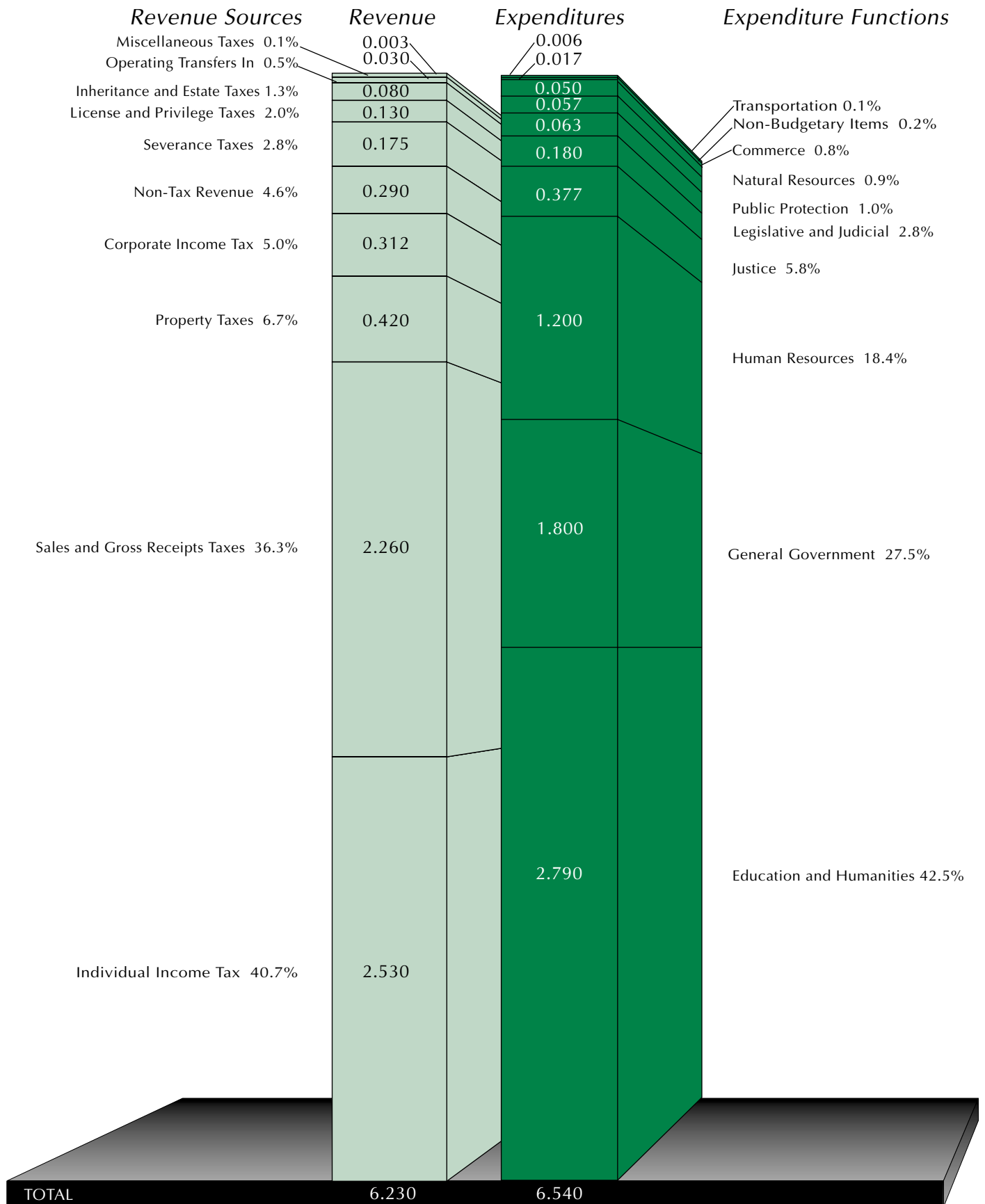
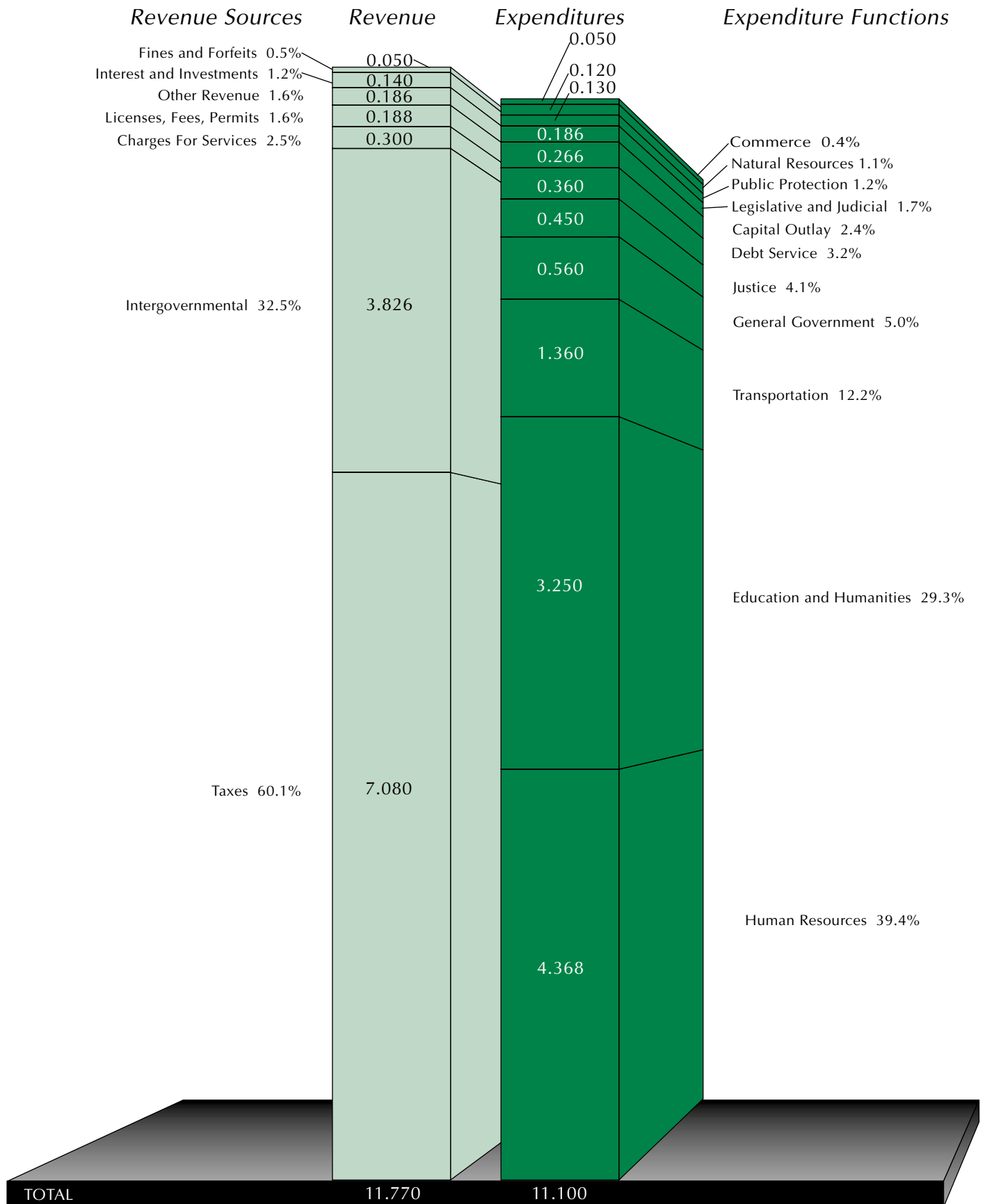


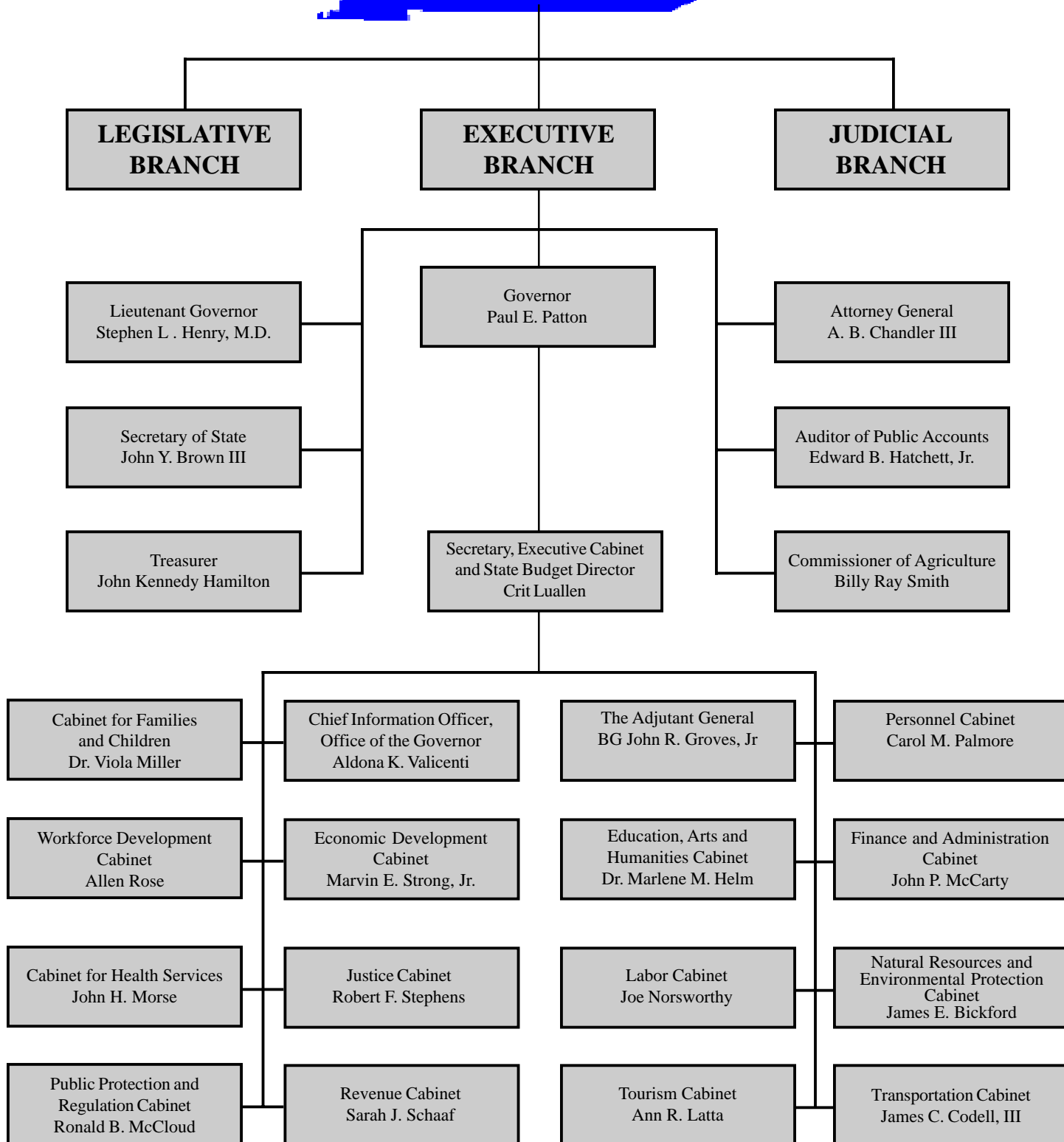
Chart 2

Governmental Funds - GAAP Basis

Fiscal Year 1999

(amounts in billions)





* Principal Officials at June 30, 1999

FINANCIAL SECTION



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet

We have audited the accompanying general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We did not audit the financial statements of certain organizational units within the governmental fund types; the Kentucky Lottery Corporation, Workers' Compensation Special Fund, Petroleum Storage Tank Assurance Program, Transportation Cabinet's Fleet Management Fund and Self-Insured Workers' Compensation Trust Funds within the proprietary fund types; the Pension Trust Funds and Transportation Cabinet's portion of the Agency Funds within the fiduciary fund types; and universities and colleges and certain other discretely presented component units.

These organizational units represent 15.0, 68.0, 94.0, and 99.9 percent of total assets of their respective fund types or component unit; 13.0, 67.0, 82.0, and 99.9 percent of total revenues/additions; and 15.0, 86.0, 87.0, and 99.9 percent of total expenditures/expenses/deductions of the related combined totals of the fund types—governmental, proprietary, fiduciary, and discretely presented component units, respectively. We also did not audit certain fixed assets, which represent 17.0 percent of the General Fixed Assets Account Group. In addition, we did not audit certain long-term obligation accounts which comprise 43.0 percent of the total liabilities in the General Long-Term Obligations Account Group. These organizational unit financial statements and fixed asset and general long-term obligation accounts were audited by other auditors whose reports thereon were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the organizational units, the fixed assets, and the long-term obligations referenced above, is based solely on the reports of other auditors.



To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
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We conducted our audit in accordance with generally accepted government auditing standards except that a portion of the university and college discretely presented component units was audited in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 99-1, Disclosures About Year 2000 Issues, an amendment of GASB Technical Bulletin 98-1, requires disclosure of certain matters regarding the year 2000 issue. The Commonwealth of Kentucky has included such disclosures in the Required Supplementary Information section following note disclosures. The year 2000 supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Commonwealth of Kentucky is or will become year 2000 compliant, that the Commonwealth's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commonwealth does business are or will become year 2000 compliant.

In our opinion based on our audit and the reports of other auditors, the general-purpose financial statements referenced above present fairly, in all material respects, the financial position of the Commonwealth of Kentucky as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

To the People of Kentucky
The Honorable Paul E. Patton, Governor
Mr. John P. McCarty, Secretary
Finance and Administration Cabinet
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Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules included in this report on pages 86 through 173 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The Introductory and Statistical Sections presented in this report on pages 1 through 18 and 174 through 186 were not audited by us and, accordingly, we do not express an opinion thereon.

In accordance with generally accepted government auditing standards, we will also issue our report on our consideration of the Commonwealth of Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

December 30, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

COMMONWEALTH OF KENTUCKY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1999
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
CASH AND CASH EQUIVALENTS (NOTE 5)	\$ 58,178	\$ 142,294	\$ 47,273	\$ 74,046
CASH WITH FISCAL AGENTS			298,148	
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT				
RESTRICTED CASH		66,374		
INVESTMENTS, NET OF AMORTIZATION (NOTE 5)	254,738	1,177,267	2,608	398,548
RECEIVABLES, NET (NOTE 1)	514,569	728,216	2,471	9,170
INTERFUND RECEIVABLES (NOTE 7)	339,137	138,202	2,493	2,095
DUE FROM COMPONENT UNITS (NOTE 7)				
INVENTORIES	12,451	30,102		
PREPAID EXPENSES				
DEFERRED CHARGES				
RESTRICTED ASSETS				
LAND				
IMPROVEMENTS OTHER THAN BUILDINGS				
BUILDINGS				
MACHINERY AND EQUIPMENT				
LESS: ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
OTHER ASSETS				
AMOUNTS AVAILABLE FOR DEBT SERVICE				
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR				
LONG-TERM BONDS				
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR				
RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS				
TOTAL ASSETS AND OTHERS DEBITS	<u>\$ 1,179,073</u>	<u>\$ 2,282,455</u>	<u>\$ 352,993</u>	<u>\$ 483,859</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 242,214	\$ 422,787	\$ 2,493	\$ 14,593
TAX REFUNDS PAYABLE	171,349			
ACCRUED LIABILITIES				
INTERFUND PAYABLES (NOTE 7)	209,891	239,612		4,630
DUE TO COMPONENT UNITS (NOTE 7)				
CLAIMS LIABILITY				
CLAIMS ADJUSTMENT LIABILITIES				
CAPITAL LEASE OBLIGATIONS (NOTE 10)				
NOTES PAYABLE (NOTE 15)				
BONDS PAYABLE (NOTE 15)				
COMPENSATED ABSENCES (NOTE 1)				
AMOUNTS HELD IN CUSTODY FOR OTHERS				
DEPOSITS AND ADVANCE PAYMENTS				
DEFERRED REVENUE	68,065	262,857	21	16,875
OTHER LIABILITIES				
JUDGEMENTS AND CONTINGENCIES				
TOTAL LIABILITIES	<u>691,519</u>	<u>925,256</u>	<u>2,514</u>	<u>36,098</u>
EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL (NOTE 1)				
INVESTMENT IN FIXED ASSETS (NOTE 1)				
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT				
UNRESERVED				
FUND BALANCE (NOTE 1)				
RESERVED FOR:				
ENCUMBRANCES		198,701		42,042
STATUTORY OBLIGATIONS	127,714	42,913		
CAPITAL OUTLAY				428,537
REVENUE BOND RETIREMENT		1,000	313,306	
EMPLOYEE RETIREMENT SYSTEM				
RETIREE'S HEALTH INSURANCE				
OTHER SPECIFIC PURPOSES (NOTE 1)	242,982	38,304	13,963	
UNRESERVED:				
DESIGNATED FOR HIGHWAY CONSTRUCTION		326,560		
DESIGNATED FOR DEBT SERVICE			23,210	
DESIGNATED FOR UNIVERSITIES AND COLLEGES				
UNDESIGNATED	116,858	749,721		(22,818)
TOTAL EQUITY AND OTHER CREDITS	<u>487,554</u>	<u>1,357,199</u>	<u>350,479</u>	<u>447,761</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 1,179,073</u>	<u>\$ 2,282,455</u>	<u>\$ 352,993</u>	<u>\$ 483,859</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	Component	Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government (Memorandum Only)	Units	Reporting Entity (Memorandum Only)
\$ 85,600	\$ 12,588	\$ 1,782,582	\$	\$	\$ 2,202,561	\$ 1,056,596	\$ 3,259,157
		10,036			308,184		308,184
		674,330			674,330		674,330
					66,374	82,779	149,153
834,730	33,982	26,220,992			28,922,865	976,269	29,899,134
53,815	524	326,466			1,635,231	2,019,182	3,654,413
132	9,261	11,399			502,719		502,719
						147,890	147,890
3,481	3,933				49,967	25,966	75,933
315	1,284	222			1,821	1,816	3,637
						23,740	23,740
						65,622	65,622
15,116	1,037		77,958		94,111	97,959	192,070
58,687	367				59,054	68,391	127,445
113,327	10,435	3,145	666,424		793,331	2,395,501	3,188,832
39,878	146,225		292,250		478,353	770,429	1,248,782
(117,212)	(113,713)				(230,925)	(132,677)	(363,602)
85,948	308		155,995		242,251	207,248	449,499
						282,478	282,478
				351,479	351,479		351,479
						591,486	591,486
				2,746,748	2,746,748		2,746,748
\$ 1,173,817	\$ 106,231	\$ 29,029,172	\$ 1,192,627	\$ 3,098,227	\$ 38,898,454	\$ 8,680,675	\$ 47,579,129
\$ 26,356	\$ 10,729	\$ 637,532	\$	\$	\$ 1,356,704	\$ 164,423	\$ 1,521,127
					171,349		171,349
						82,437	82,437
558	3,581	44,447			502,719		502,719
						147,890	147,890
1,577,058	70,496				1,647,554		1,647,554
61,908					61,908		61,908
20	5,378			1,946	7,344	51,770	59,114
4,412				338,400	342,812	71,013	413,825
				2,178,683	2,178,683	3,016,817	5,195,500
7,426	6,483			211,379	225,288	5,243	230,531
		221,852			221,852	13,318	235,170
						5,587	5,587
443	1,261	34,131			383,653	52,034	435,687
358,498		837,583		77,488	1,273,569	75,834	1,349,403
				290,331	290,331		290,331
2,036,679	97,928	1,775,545		3,098,227	8,663,766	3,686,366	12,350,132
137,811	6,376				144,187	139,538	283,725
			1,192,627		1,192,627	2,671,602	3,864,229
(1,000,673)	1,927				(998,746)	324,207	324,207
						479,643	(519,103)
					240,743	16,984	257,727
					170,627		170,627
					428,537	240,018	668,555
					314,306		314,306
		25,009,987			25,009,987		25,009,987
		893,059			893,059		893,059
					295,249	865,450	1,160,699
					326,560		326,560
					23,210		23,210
						232,335	232,335
		1,350,581			2,194,342	24,532	2,218,874
(862,862)	8,303	27,253,627	1,192,627		30,234,688	4,994,309	35,228,997
\$ 1,173,817	\$ 106,231	\$ 29,029,172	\$ 1,192,627	\$ 3,098,227	\$ 38,898,454	\$ 8,680,675	\$ 47,579,129

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES (NOTE 1):				
TAXES	\$ 5,934,936	\$ 1,140,559	\$	\$
LICENSES, FEES, AND PERMITS	22,394	165,910		
INTERGOVERNMENTAL	4,620	3,818,098		3,267
CHARGES FOR SERVICES	4,608	293,141	1,203	
FINES AND FORFEITS	48,139	4,885		
INTEREST AND OTHER INVESTMENT INCOME	43,955	56,705	12,717	43,122
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	13,038	95,918	602	(125,729)
OTHER REVENUES	5,050	178,434	165	2,232
TOTAL REVENUES	6,076,740	5,753,650	14,687	(77,108)
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	324,884	232,029		
LEGISLATIVE AND JUDICIAL	178,564	7,604		
COMMERCE	18,694	31,233		
EDUCATION AND HUMANITIES	2,662,301	588,155		
HUMAN RESOURCES	1,257,307	3,111,620		
JUSTICE	375,300	76,232		
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	56,821	64,117		
PUBLIC PROTECTION AND REGULATION	44,046	86,199		
TRANSPORTATION	6,491	1,349,831		
CAPITAL OUTLAY				266,165
DEBT SERVICE:				
PRINCIPAL RETIREMENT			197,363	
INTEREST AND FISCAL CHARGES			158,225	
OTHER EXPENDITURES			2,110	
TOTAL EXPENDITURES	4,924,408	5,547,020	357,698	266,165
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,152,332	206,630	(343,011)	(343,273)
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	185,551	1,325,657	345,632	376,344
OPERATING TRANSFERS OUT	(759,355)	(1,387,937)	(9,997)	(213,461)
TRANSFERS FROM PRIMARY GOVERNMENT				
TRANSFERS TO COMPONENT UNITS	(910,373)			
PROCEEDS FROM SALE OF BONDS:				
NEW ISSUES				252,337
REFUNDING ISSUES			35,745	
CAPITALIZED LEASES	688	950		
OTHER FINANCING SOURCES		13,008		
PAYMENTS TO REFUNDED BOND ESCROW AGENTS			(31,304)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,483,489)	(48,322)	340,076	415,220
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(331,157)	158,308	(2,935)	71,947
FUND BALANCE AT JULY 1 (NOTE 2), AS RESTATED	817,943	1,200,027	353,414	375,814
INCREASE (DECREASE) IN INVENTORIES	768	(1,136)		
FUND BALANCE AT JUNE 30	\$ 487,554	\$ 1,357,199	\$ 350,479	\$ 447,761

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary Fund Type	Expendable Trust	Totals		Component Units	Totals	
		Primary Government (Memorandum Only)			Reporting Entity (Memorandum Only)	
\$	246,534	\$ 7,322,029		\$	\$ 7,322,029	
		188,304			188,304	
	9,821	3,835,806			3,835,806	
	7,300	306,252			306,252	
		53,024			53,024	
	105,645	262,144	969		263,113	
	(2,298)	(18,469)	(91)		(18,560)	
	76,122	262,003	2,005		264,008	
	443,124	12,211,093	2,883		12,213,976	
	217,572	774,485			774,485	
	70	186,238			186,238	
		49,927	163,335		213,262	
	271,792	3,522,248			3,522,248	
	4,615	4,373,542			4,373,542	
	16	451,548			451,548	
		120,938			120,938	
		130,245			130,245	
	11,181	1,367,503			1,367,503	
		266,165			266,165	
		197,363			197,363	
		158,225			158,225	
		2,110			2,110	
	505,246	11,600,537	163,335		11,763,872	
	(62,122)	610,556	(160,452)		450,104	
	311,344	2,544,528			2,544,528	
	(151,565)	(2,522,315)			(2,522,315)	
			24,364		24,364	
		(910,373)			(910,373)	
		252,337	160,198		412,535	
		35,745			35,745	
		1,638			1,638	
		(31,304)			(31,304)	
	159,779	(629,744)	184,562		(445,182)	
	97,657	(6,180)	24,110		17,930	
	1,252,924	4,000,122	422		4,000,544	
		(368)			(368)	
\$	1,350,581	\$ 3,993,574	\$ 24,532	\$	\$ 4,018,106	

COMMONWEALTH OF KENTUCKY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)**

FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 5,922,581	\$ 5,911,779	\$ (10,802)	\$ 865,845	\$ 892,529	\$ 26,684
LICENSES, FEES, AND PERMITS	23,566	22,394	(1,172)	100,311	105,398	5,087
INTERGOVERNMENTAL	4,712	4,619	(93)			
CHARGES FOR SERVICES	2,509	4,412	1,903	20,812	21,387	575
FINES AND FORFEITS	45,857	48,146	2,289	40	35	(5)
INTEREST AND OTHER INVESTMENT INCOME	48,634	43,902	(4,732)	40,000	35,589	(4,411)
LOTTERY PROCEEDS	153,800	153,800				
OTHER REVENUES	15,697	3,023	(12,674)	2,300	928	(1,372)
TRANSFERS IN	14,850	14,802	(48)			
TOTAL BUDGETED REVENUES	6,232,206	6,206,877	(25,329)	1,029,308	1,055,866	26,558
NON-BUDGETED:						
TAXES					197,043	
LICENSES, FEES, AND PERMITS					62,166	
INTERGOVERNMENTAL					3,685,784	
CHARGES FOR SERVICES					1,380,894	
FINES AND FORFEITS					3,322	
INTEREST AND OTHER INVESTMENT INCOME					32,551	
EMPLOYER CONTRIBUTIONS					97	
OTHER REVENUES		1	1		216,563	
ESCHEAT REVENUE		6,311	6,311			
TRANSFERS IN (INTERFUND)		16,949	16,949		402,582	
TRANSFERS IN (INTRAFUND)					836,216	
TOTAL NON-BUDGETED REVENUES		23,261	23,261		6,817,218	
TOTAL REVENUES	6,232,206	6,230,138	(2,068)		7,873,084	
EXPENDITURES:						
GENERAL GOVERNMENT	1,901,039	1,797,030	104,009	1,889,249	1,475,634	413,615
LEGISLATIVE AND JUDICIAL	205,454	184,755	20,699	13,194	7,246	5,948
COMMERCE	61,074	51,000	10,074	34,773	33,120	1,653
EDUCATION AND HUMANITIES	2,790,882	2,781,733	9,149	656,539	606,020	50,519
HUMAN RESOURCES	1,216,209	1,203,880	12,329	3,275,605	2,988,706	286,899
JUSTICE	379,818	377,310	2,508	135,441	111,346	24,095
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION	56,953	56,953		96,052	66,866	29,186
PUBLIC PROTECTION AND						
REGULATION	66,328	63,181	3,147	102,016	93,925	8,091
TRANSPORTATION	10,340	6,303	4,037	3,154,888	1,530,854	1,624,034
TOTAL EXPENDITURES	6,688,097	6,522,145	165,952	9,357,757	6,913,717	2,444,040
EXCESS OF REVENUES OVER						
(UNDER) EXPENDITURES	(455,891)	(292,007)	163,884		959,367	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY				1,410	1,410	
RECEIPTS FROM TRUSTEES						
TOTAL OTHER FINANCING SOURCES (USES)				1,410	1,410	
EXCESS OF REVENUES AND OTHER						
FINANCING SOURCES OVER (UNDER)						
EXPENDITURES AND OTHER						
FINANCING USES	(455,891)	(292,007)	163,884		960,777	
FUND BALANCE/FUND EQUITY AT JULY 1	731,323	731,323			1,405,352	
NON-BUDGETED ITEMS		(16,876)	(16,876)		(1,043,187)	
FIXED ASSET ALLOCATION						
FUND BALANCE/FUND EQUITY AT JUNE 30	\$ 275,432	\$ 422,440	\$ 147,008	\$	\$ 1,322,942	\$

Enterprise			Internal Service			Expendable Trust		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$		\$	\$	\$	\$	\$	\$
	9							
	1						18,477	
	122,141			105,063			10	
	781							
	8,887			421			31,485	
							251,621	
	34,115			25,967			2,212	
	64,835			235				
	170,127							
	400,896			131,686			303,805	
	400,896			131,686			303,805	
5,815	5,058	757	91,223	83,907	7,316			
48,659	46,885	1,774						
1,753	20	1,733				253,086	252,937	149
			14,669	12,774	1,895			
669	151	518						
352,815	271,577	81,238	603	555	48			
			42,311	13,540	28,771			
409,711	323,691	86,020	148,806	110,776	38,030	253,086	252,937	149
	77,205			20,910			50,868	
	77,205			20,910			50,868	
	335,481			75,284			615,646	
	(73,790)			(6,392)			(3,210)	
	26,963			1,334				
	\$ 365,859	\$	\$	\$ 91,136	\$	\$	\$ 663,304	\$

COMMONWEALTH OF KENTUCKY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)**

FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Component Units		
	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$	\$	\$
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES			
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT INCOME			
LOTTERY PROCEEDS			
OTHER REVENUES			
TRANSFERS IN			
TOTAL BUDGETED REVENUES			
NON-BUDGETED:			
TAXES			
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES		26,030	
FINES AND FORFEITS		1	
INTEREST AND OTHER INVESTMENT			
EMPLOYER CONTRIBUTIONS			
OTHER REVENUES		9	
ESCHEAT REVENUE			
TRANSFERS IN (INTERFUND)		57	
TRANSFERS IN (INTRAFUND)		371	
TOTAL NON-BUDGETED REVENUES		26,468	
TOTAL REVENUES		26,468	
EXPENDITURES:			
GENERAL GOVERNMENT			
LEGISLATIVE AND JUDICIAL			
COMMERCE	26,129	25,688	441
EDUCATION AND HUMANITIES			
HUMAN RESOURCES			
JUSTICE			
NATURAL RESOURCES AND			
ENVIRONMENTAL PROTECTION			
PUBLIC PROTECTION AND			
REGULATION			
TRANSPORTATION			
TOTAL EXPENDITURES	26,129	25,688	441
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES		780	
OTHER FINANCING SOURCES (USES):			
TURNPIKE AUTHORITY			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER			
FINANCING USES		780	
FUND BALANCES/FUND EQUITY AT JULY 1		119,874	
NON-BUDGETED ITEMS		(2,938)	
FIXED ASSET ALLOCATION		13,092	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 130,808	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 220,997	\$ 134,756	\$ 355,753	\$ 56,970	\$ 412,723
INTEREST AND OTHER INVESTMENT INCOME	26,691		26,691	136,786	163,477
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	12,022	20	12,042	(6,417)	5,625
LOTTERY PROCEEDS	583,145		583,145		583,145
OTHER REVENUES	3,004	756	3,760	24,751	28,511
TOTAL OPERATING REVENUES	845,859	135,532	981,391	212,090	1,193,481
OPERATING EXPENSES:					
PERSONAL SERVICES	77,707	49,304	127,011	46,436	173,447
UTILITIES, RENTALS, AND OTHER SERVICES	14,097	24,945	39,042	23,287	62,329
COMMODITIES AND SUPPLIES	18,660	16,298	34,958	2,399	37,357
PROVISION FOR LOAN LOSSES				1,007	1,007
GRANTS AND SUBSIDIES	150	817	967	47,672	48,639
DEPRECIATION AND AMORTIZATION	7,609	11,495	19,104	13,109	32,213
INTEREST				97,703	97,703
TRAVEL	1,422	426	1,848	1,134	2,982
REINSURANCE EXPENSE		918	918		918
CLAIMS EXPENSE	283,477	13,925	297,402		297,402
CLAIM ADJUSTMENT EXPENSE	2,700		2,700		2,700
PRIZE EXPENSE	340,672		340,672		340,672
OTHER EXPENSES	68,360		68,360	28,962	97,322
TOTAL OPERATING EXPENSES	814,854	118,128	932,982	261,709	1,194,691
OPERATING INCOME (LOSS)	31,005	17,404	48,409	(49,619)	(1,210)
NONOPERATING REVENUE (EXPENSES):					
INTERGOVERNMENTAL REVENUE				12,445	12,445
GRANTS AND DONATIONS				31,959	31,959
MEMBERSHIP REVENUE				259	259
KENTUCKY CENTER FOR THE ARTS ENDOWMENT				848	848
GAIN (LOSS) ON SALE OF FIXED ASSETS	(15,415)	664	(14,751)	8,464	(6,287)
INTEREST AND OTHER INVESTMENT INCOME	4,538	17	4,555	233	4,788
INTEREST EXPENSE	(353)	(530)	(883)		(883)
OTHER REVENUES (EXPENSES)	(1)		(1)	(679)	(680)
TOTAL NONOPERATING REVENUES (EXPENSES)	(11,231)	151	(11,080)	53,529	42,449
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS	19,774	17,555	37,329	3,910	41,239
OPERATING TRANSFERS IN	50,607	4,886	55,493		55,493
TRANSFERS FROM PRIMARY GOVERNMENT				70,416	70,416
TRANSFERS FROM COMPONENT UNITS				3,393	3,393
OPERATING TRANSFERS OUT	(169,460)	(3,613)	(173,073)		(173,073)
TRANSFERS TO PRIMARY GOVERNMENT				(383)	(383)
TRANSFERS TO COMPONENT UNITS				(3,393)	(3,393)
NET INCOME (LOSS)	(99,079)	18,828	(80,251)	73,943	(6,308)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	2,059	5,307	7,366	5,937	13,303
INCREASE (DECREASE) IN RETAINED EARNINGS	(97,020)	24,135	(72,885)	79,880	6,995
RETAINED EARNINGS AT JULY 1 (NOTE 2), AS RESTATED	(903,653)	(22,208)	(925,861)	723,970	(201,891)
RETAINED EARNINGS AT JUNE 30	\$ (1,000,673)	\$ 1,927	\$ (998,746)	\$ 803,850	\$ (194,896)

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Pension Benefits	Healthcare Benefits	Totals (Memorandum Only)
ADDITIONS			
CONTRIBUTIONS:			
EMPLOYER	\$ 592,050	\$ 192,249	\$ 784,299
MEMBER	471,081	34,580	505,661
TOTAL CONTRIBUTIONS	1,063,131	226,829	1,289,960
INVESTMENT INCOME:			
NET APPRECIATION IN FAIR VALUE			
OF INVESTMENTS	2,239,442	67,146	2,306,588
INTEREST	517,845	16,214	534,059
DIVIDENDS	190,254	6,795	197,049
REAL ESTATE OPERATING INCOME, NET	50,996		50,996
SECURITIES LENDING INCOME	90,628	8,058	98,686
TOTAL INVESTMENT INCOME	3,089,165	98,213	3,187,378
LESS: INVESTMENT EXPENSE	8,933	87	9,020
LESS: SECURITIES LENDING EXPENSE	88,556	7,878	96,434
NET INVESTMENT INCOME	2,991,676	90,248	3,081,924
TOTAL ADDITIONS	4,054,807	317,077	4,371,884
DEDUCTIONS:			
BENEFIT PAYMENTS	949,608		949,608
REFUNDS	29,244	3	29,247
ADMINISTRATIVE EXPENSE	13,501	2,877	16,378
OTHER DEDUCTIONS, NET	146,615	121,901	268,516
TOTAL DEDUCTIONS	1,138,968	124,781	1,263,749
NET INCREASE	2,915,839	192,296	3,108,135
NET ASSETS HELD IN TRUST			
BEGINNING OF YEAR	22,094,148	700,763	22,794,911
END OF YEAR	\$ 25,009,987	\$ 893,059	\$ 25,903,046

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 801,060	\$ 3,806	\$ 804,866	\$ 156,632	\$ 961,498
CASH RECEIVED FROM CUSTOMERS - STATE	1,501	127,183	128,684		128,684
COLLECTION OF PROGRAM LOANS				336,573	336,573
PROGRAM LOANS ISSUED				(358,189)	(358,189)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(123,571)	(42,145)	(165,716)	(141,164)	(306,880)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(77,233)	(47,014)	(124,247)	(45,847)	(170,094)
CASH PAYMENTS FOR CLAIMS EXPENSE	(580,173)	(15,763)	(595,936)		(595,936)
CASH PAYMENTS (TO) FROM OTHER SOURCES	4,587	(1,440)	3,147	(44,312)	(41,165)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,171	24,627	50,798	(96,307)	(45,509)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
PROCEEDS FROM BOND ISSUANCE				467,082	467,082
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				(977)	(977)
PRINCIPAL PAYMENT ON DEBT				(293,137)	(293,137)
DEBT RELATED EXPENSES				(122,594)	(122,594)
SUBSIDIES				56,952	56,952
RESIDUAL EQUITY TRANSFER IN (OUT)		2,122	2,122		2,122
OPERATING TRANSFERS-IN FROM OTHER FUNDS	42,451	2,262	44,713	63,125	107,838
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(161,392)	(3,111)	(164,503)	(3,393)	(167,896)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(118,941)	1,273	(117,668)	167,058	49,390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(5,772)	(7,928)	(13,700)	(8,214)	(21,914)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(1,357)	(1,876)	(3,233)	(1,886)	(5,119)
INCREASE IN RESTRICTED ASSET-CONSTRUCTION ACCOUNT				(21,380)	(21,380)
RESTRICTED INCOME-CONSTRUCTION				874	874
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(352)	(352)	(704)	(1,998)	(2,702)
PROCEEDS FROM SALE OF CAPITAL ASSETS	425	690	1,115	14,189	15,304
CONTRIBUTED CAPITAL				19,561	19,561
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(7,056)	(9,466)	(16,522)	1,146	(15,376)
CASH FLOWS FROM INVESTING ACTIVITIES:					
PURCHASE OF INVESTMENT SECURITIES	(41,595)	(10,574)	(52,169)	(1,339,739)	(1,391,908)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	55,706	1,317	57,023	1,346,970	1,403,993
INTEREST AND DIVIDENDS ON INVESTMENTS	33,795	533	34,328	50,897	85,225
NET CASH USED IN INVESTING ACTIVITIES	47,906	(8,724)	39,182	58,128	97,310
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,920)	7,710	(44,210)	130,025	85,815
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	137,520	4,878	142,398	367,115	509,513
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 85,600</u>	<u>\$ 12,588</u>	<u>\$ 98,188</u>	<u>\$ 497,140</u>	<u>\$ 595,328</u>

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
RECONCILIATION OF OPERATING INCOME TO NET CASH					
PROVIDED BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ 31,005	\$ 17,404	\$ 48,409	\$ (49,619)	\$ (1,210)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				1,916	1,916
DEPRECIATION AND AMORTIZATION	7,609	11,495	19,104	13,109	32,213
INTEREST AND OTHER INVESTMENT INCOME	(24,073)	(508)	(24,581)	(49,117)	(73,698)
INTEREST EXPENSE				94,497	94,497
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	(2)	11	9	(39,706)	(39,697)
CHANGE IN ASSETS AND LIABILITIES:					
(INCREASE) DECREASE IN ASSETS					
RECEIVABLES, NET	(7,686)	1,330	(6,356)	(65,792)	(72,148)
FAIR MARKET VALUE OF INVESTMENTS	(12,022)	(21)	(12,043)	6,417	(5,626)
INTERFUND RECEIVABLES	1,403	(1,468)	(65)		(65)
INVENTORIES	(24)	141	117	(103)	14
PREPAID EXPENSES	11	93	104	(1,807)	(1,703)
OTHER ASSETS	(1)		(1)	(505)	(506)
INCREASE (DECREASE) IN LIABILITIES					
ACCOUNTS PAYABLE	(16,519)	92	(16,427)	(4,594)	(21,021)
INTERFUND PAYABLES	(2,679)	(209)	(2,888)		(2,888)
CLAIMS LIABILITY	45,807	(3,518)	42,289		42,289
CLAIMS ADJUSTMENT LIABILITY	2,700		2,700		2,700
COMPENSATED ABSENCES	624	974	1,598	351	1,949
OTHER LIABILITIES				3,416	3,416
DEFERRED REVENUE	18	(1,189)	(1,171)	(4,770)	(5,941)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 26,171</u>	<u>\$ 24,627</u>	<u>\$ 50,798</u>	<u>\$ (96,307)</u>	<u>\$ (45,509)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 1999

	Component Units
PER COMBINED BALANCE SHEET	\$ 1,056,596
LESS: UNIVERSITIES	(540,836)
KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION	<u>(18,620)</u>
CASH AND CASH EQUIVALENTS FOR PROPRIETARY COMPONENT UNITS	<u>\$ 497,140</u>

THE PROPRIETARY FUND TYPES ACQUIRED ASSETS OF \$38,069(000) THROUGH NON-CASH TRANSACTIONS. CONTRIBUTED CAPITAL TOTALED \$37,594,(000). CAPITAL LEASES TOTALED \$475,(000). PAYMENTS FOR PRINCIPAL AND INTEREST FOR THE YEAR WERE \$20,(000) AND \$2,(000), RESPECTIVELY. GRAND PRIZE INVESTMENTS AND THE RELATED PRIZE LIABILITY WERE INCREASED DURING THE YEAR BY APPROXIMATELY \$12,640,(000) ACCRETION OF INTEREST.

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Totals June 30, 1999
REVENUES:	
TUITION AND FEES	\$ 388,733
FEDERAL GRANTS AND CONTRACTS	185,522
STATE/LOCAL GRANTS AND CONTRACTS	62,620
PRIVATE GIFTS, GRANTS AND CONTRACTS	79,938
ENDOWMENT INCOME	5,238
SALES AND SERVICES OF EDUCATION ACTIVITIES	73,518
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	427,158
OTHER REVENUES	155,011
TOTAL CURRENT REVENUES	1,377,738
EXPENDITURES AND TRANSFERS:	
EDUCATIONAL AND GENERAL:	
INSTRUCTION	630,146
RESEARCH	117,351
PUBLIC SERVICE	236,679
ACADEMIC SUPPORT	115,221
LIBRARIES	54,126
STUDENT SERVICES	84,867
INSTITUTIONAL SUPPORT	158,167
STUDENT FINANCIAL AID	187,200
MAINTENANCE AND OPERATION	121,893
OTHER EXPENDITURES	466
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	1,706,116
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	61,140
LOAN FUND	262
UNEXPENDED PLANT FUND	1,459
RENEWAL AND REPLACEMENT	
RETIREMENT OF INDEBTEDNESS	
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	(20,538)
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	(303)
CURRENT FUND - RESTRICTED	(1,579)
LOAN FUND	
ENDOWMENT AND SIMILAR FUNDS	3,760
FOUNDATIONS	2
UNEXPENDED PLANT FUND	44,783
RENEWAL AND REPLACEMENT	2,114
RETIREMENT OF INDEBTEDNESS	(109)
TOTAL EDUCATIONAL AND GENERAL	1,797,107
AUXILIARY ENTERPRISES AND HOSPITALS:	
EXPENDITURES	404,745
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	12,874
RENEWAL AND REPLACEMENT	
RETIREMENT OF INDEBTEDNESS	1,175
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	(3,758)
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	77
UNEXPENDED PLANT FUND	564
RENEWAL AND REPLACEMENT	2,387
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	418,064
TOTAL EXPENDITURES AND TRANSFERS	2,215,171
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
TRANSFERS FROM PRIMARY GOVERNMENT	861,186
TRANSFERS TO PRIMARY GOVERNMENT	2,926
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	15,455
INDIRECT COST RECOVERED	6,869
REFUNDS TO GRANTORS	(190)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	1,278
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 50,091

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

COMMONWEALTH OF KENTUCKY
COMBINED STATEMENT OF CHANGES IN FUND BALANCE
ALL UNIVERSITY AND COLLEGE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Totals
	June 30, 1999
REVENUES AND OTHER ADDITIONS:	
EDUCATIONAL AND GENERAL REVENUES	\$ 664,862
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	427,416
INDIRECT COST RECOVERED	6,744
RESTRICTED GRANTS AND CONTRACTS	436,666
RESTRICTED GIFTS AND GRANTS	58,731
ENDOWMENT INCOME	5,898
INTEREST AND OTHER INVESTMENT INCOME	52,878
EXPENDED FOR PLANT FACILITIES	167,392
RETIREMENT OF INDEBTEDNESS	59,198
OTHER REVENUE AND ADDITIONS	269,422
TOTAL REVENUES AND OTHER ADDITIONS	<u>2,149,207</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
EDUCATIONAL AND GENERAL EXPENDITURES	1,704,696
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	404,745
REFUNDS TO GRANTORS	192
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	575
LOAN CANCELLATIONS	1,046
PAYMENT TO BENEFICIARIES	889
EXPENDED FOR PLANT FACILITIES	129,932
RETIREMENT OF INDEBTEDNESS	59,224
INTEREST PAYMENTS	36,286
DISPOSAL OF PLANT FACILITIES	29,756
NOTES ISSUED	2,020
OTHER EXPENDITURES	257,336
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>2,626,697</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):	
NON-MANDATORY TRANSFERS FOR:	
TRANSFERS FROM PRIMARY GOVERNMENT	911,343
TRANSFERS TO PRIMARY GOVERNMENT	
TOTAL TRANSFERS AMONG FUNDS	<u>911,343</u>
INCREASE (DECREASE) IN FUND BALANCE	433,853
FUND BALANCE AT JULY 1, (NOTE 2) AS RESTATED	3,592,512
FUND BALANCE AT JUNE 30	<u><u>\$ 4,026,365</u></u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the AICPA Audit Guide, Audits of Colleges and Universities.

B. Financial Reporting Entity - For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, account groups, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational entities comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and those which are legally separate. Organizations, not legally separate, are reported as part of the primary government. Legally separate organizations are reported as component units if either, the Commonwealth is financially accountable or whose exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services almost entirely or exclusively to the primary government or their governing body is substantively the same as the governing body for the primary government. All other component units are discretely presented.

Audited financial statements are available for the following blended component units: Kentucky Lottery Corporation and the Kentucky Turnpike Authority. Audited financial statements are available for all discretely presented component units except the Kentucky Agricultural Finance Authority and the Kentucky Grain Insurance Corporation. (See page 80 for complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government using the blending method.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate created to issue all revenue bonds for state agencies, unless those agencies are specifi-

cally authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky Asset/Liability Commission (KRS 56.861)

The Commission is a public body corporate, created to take a comprehensive view of the Commonwealth's finances and develop policies and strategies to minimize the impact of fluctuating revenue receipts and interest rates on the Commonwealth's interest-sensitive assets and liabilities. The Commission consists of five ex officio members.

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that would distinguish it as being legally separate from the Commonwealth. This authority's sole purpose is the maintenance of the Commonwealth's locks and dams on the Kentucky River. The Governor appoints the ten members of this authority.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turnpike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The seven members of the authority are all ex officio members, including the Governor.

Kentucky Teachers' Retirement System (KRS 161.220)

The Kentucky Teachers' Retirement System is an independent agency and instrumentality of the Commonwealth created to provide pension benefit plan coverage for local school districts and educational agencies of the state. The board includes two ex official members and seven elected members.

Kentucky Retirement System (KRS 61.645)

The Kentucky Retirement System administers the Kentucky Employes Retirement System, the County Employes Retirement and the State Police Retirement System. The board consists of the Secretary of the Personnel Cabinet, five members elected by the retirement systems and three members appointed by the Governor.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1999

Board of Agriculture (KRS 246.120)

The board is a body corporate created to act as an advisory board to the Commissioner of Agriculture and aid him in the collection of information concerning crops and in the promulgation of industrial information and act as an immigration committee. The board consists of nine members, two ex officio members and seven citizens of the Commonwealth appointed by the Governor.

Kentucky Savings Bond Authority (KRS 293.030)

The authority is a body corporate and politic created to promote investment by the general public in bonds of the Commonwealth and to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported in a separate discrete column that is labeled as "Component Units" to emphasize these organizations' separateness from the State's primary government.

Bluegrass State Skills Corporation (KRS 154.12-205)

This corporation was created and established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skills training and education. The board of directors consists of eighteen members, five ex officio members and thirteen members appointed by the Governor.

Kentucky School Facilities Construction Commission (KRS 157.617)

The commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the Commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the Commission. The Commission was audited in conjunction with the Commonwealth's financial statements.

Kentucky State Fair Board (KRS 247.090)

This board is a body corporate created to account for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Twelve members compose the board, three ex officio members, the other nine appointed by the Governor.

Kentucky Center for the Arts Corporation (KRS 153.410)

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor.

Kentucky Educational Television Authority (KRS 168.030)

KET is a public body corporate and politic created to prescribe and enforce regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members, five being appointed by the Governor. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation, which receives, holds and administers gifts and grants in the name of and with the approval of the authority.

Kentucky Economic Development Finance Authority (KRS 154.20-010)

KEDFA possesses the corporate powers necessary to distinguish it as being legally separate from the Commonwealth and was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include: The Commonwealth Small Business Development Corporation, the Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units have been combined with those of the authority.

Kentucky Higher Education Assistance Authority (KRS 164.742)

This authority is a body corporate and politic created to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions, and by insuring eligible student loans.

Kentucky Higher Education Student Loan Corporation (KRS 164A.050)

KHESLC is a body corporate and politic created to perform essential governmental and public functions and purposes in improving and promoting the education opportunities of the citizens of the Commonwealth. The board of directors consists of seven members, three ex officio members and four members appointed by the Governor.

Kentucky Educational Savings Plan Trust (KRS 164A.310)

This trust was established to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation (KRS 198A.030)

The Housing Corporation is a body corporate and politic created to perform essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor.

Kentucky Infrastructure Authority (KRS 224A.030)

The authority is a body corporate and politic created solely to perform essential governmental functions and to serve the local public agencies in the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and three members appointed by the Governor.

Kentucky Agricultural Finance Corporation (KRS 247.944)

KAFC is a corporation created to improve and promote the health and general welfare of the people through the promotion of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor.

Kentucky Grain Insurance Corporation (KRS 251.620)

KGIC is a body politic created to promote the state's welfare by improving the economic stability of agriculture and protecting grain producers in the event of the financial failure of a grain dealer or warehousemen. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture.

Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor.

State Colleges, Universities and Kentucky Community Technical College System (KRS 164.350)

Each board of regents or board of trustees is appointed by the Governor, and constitute a body corporate with the power to receive and administer revenue and property.

C. Fund Structure and Basis of Accounting - Primary Government - The accompanying financial statements are structured into three fund categories and two account groups. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

Governmental Funds include:

General Fund - accounts for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

Special Revenue Funds - account for specific revenue sources, other than for expendable trusts or major capital projects, dedicated to specific operations.

Debt Service Fund - accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related administrative costs.

Capital Projects Fund - accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

All of the governmental funds (where the measurement focus is on the flow of current financial resources) are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Available revenue will be received within 30 days. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date. Expenditures are recorded at the time liabilities are incurred except: (1) inventories generally are considered expenditures at acquisition; (2) prepayments usually are accounted for as expenditures of the period of acquisition; (3) principal and interest on long-term debt are recorded when paid; and (4) compensated absences are accounted for as expenditures of the period when used.

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June 30, 1999

Encumbrances represented by executed and unperformed contracts, which have been approved by the Finance and Administration Cabinet, at year end are reported as reservations of fund balance for subsequent year expenditure in the Capital Projects and Transportation Funds. Encumbrances in all other funds lapse at the end of the fiscal year.

Proprietary Funds include:

The State has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's proprietary funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

Enterprise Funds - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

Internal Service Funds - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenses are recognized at the time liabilities are incurred.

Fiduciary Funds include:

Expendable Trust Funds - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

Pension Trust Funds - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.

Agency Funds - account for monies held by the Commonwealth and deferred compensation plans for custodial purposes only.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting and are reported in the same manner as governmental fund types. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

Account Groups include:

General Fixed Assets Account Group - accounts for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary and fiduciary fund types.

General Long-Term Obligations Account Group - accounts for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary and fiduciary fund types.

Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments: The State Property and Buildings Commission issued \$41,380,000 Taxable University Refunding bonds. The proceeds from this issue were used to purchase certain outstanding Housing and Dining Revenue bonds of the State's universities. The income from the Housing and Dining bonds will be used to pay the debt service on the Project Revenue bonds. Savings will be used to reduce the universities' debt service requirements. See Note 15 for additional information.

D. Component Units - presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

E. Budgetary Process and Control - The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The Legislature reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, subject to legislative override.

The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose. A budget bill shall not be effective past July 1 of the year in which the next regular session takes place.

Budgetary control is maintained at the budget unit level as designated by the Legislature (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Finance and Administration Cabinet and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1999

The funds which have legally adopted annual budgets as part of the primary government include the following: General, Transportation, Federal, Agency Revenue, State Parks, Industries for the Blind, Horse Park, Insurance Administration, Fleet Management, Computer Services, Prison Industries, Central Printing, Property Management, and Risk Management, and Unemployment Trust. In addition, the State Fair Board Fund, which is shown as a discretely presented component unit, has a legally adopted budget. Capital Projects are budgeted on a project length basis.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except that the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a joint budget resolution or for expenditure for any other purpose than specified in a joint budget resolution and a budget memorandum. However, budgetary funds except General Fund, Transportation Fund, and Capital Projects Fund, may be amended in an amount up to the actual receipts (not to exceed 5%) by an Advice of Change Order from the Secretary of the Finance and Administration Cabinet. No supplemental appropriations were required during this fiscal year. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts other than commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditures. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except in the Capital Projects and Transportation Funds, which have project length budgets. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in Note 4.

F. Cash and Cash Equivalents - In addition to bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with a maturity of 90 days or less, from date of purchase. Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at market. Short-term investments, classified as cash equivalents at June 30, 1999 are \$2,497,184,551.

G. Investments - This classification includes long-term investments which are stated at cost, amortized cost, or fair value. Investments of the Deferred Compensation Plan are reported at market value. See Note 5 for investment detail.

H. Receivables - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. The allowance for uncollectibles amounted to \$467,414,635.

I. Interfund Transactions - The Commonwealth has the following types of interfund transactions:

Quasi-external Transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

Reimbursements - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

Operating Transfers - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund transactions is presented in Note 7.

J. Inventories - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase. Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

K. Fixed Assets and Depreciation-General Fixed Assets - The policy of the primary government is to capitalize all land, buildings, and equipment having an acquisition cost of \$5,000 or greater. Component units establish their own capital capitalization policy and that policy may vary from the amount of the primary government. All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the General Fixed Assets Account Group at historical cost, estimated historical cost or fair market value at time of donation. Buildings of \$666,424,000 at June 30, 1999, were valued as follows:

COMMONWEALTH OF KENTUCKY
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\$289,960,000 at estimated historical cost, \$323,547,000 at historical cost and \$52,917,000 at fair market value at time of donation. Land of \$77,958,000 at June 30, 1999, was valued as follows: \$31,862,000 at estimated historical cost, \$33,004,000 at historical cost, and \$13,092,000 at fair market value at time of donation. The estimates of historical cost were based on appraised value, as of June 30, 1986, indexed to the date of acquisition. Also, public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized. No depreciation is provided on general fixed assets.

Proprietary and Similar Fiduciary Fund Types - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair market value at the time of donation. Historical cost has been estimated for approximately eighty-two percent (82%) of the land cost and fifty-six percent (56%) of the proprietary fund's buildings cost as of June 30, 1999. The estimate of historical cost was based on appraised value as of June 30, 1986, indexed to the date of acquisition. Land and buildings acquired after June 30, 1986, have been valued at historical cost.

They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for buildings, 3 to 25 years for machinery and equipment, and 10 to 60 years for improvements other than buildings.

It is the Commonwealth's policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB Statement No. 62.

The discretely presented component unit financial statements of The Kentucky Center for the Arts, Fiscal Year 1999, do not contain the Center's fixed assets. The Finance and Administration Cabinet, Division of Accounts, Financial Reporting Branch, has adjusted the discretely presented component units column on the appropriate combined statements included in the Commonwealth of Kentucky Comprehensive Annual Financial Report for the Year Ended June 30, 1999, to add dollar amounts for fixed assets, depreciation, and contributed capital associated with the Center in order to satisfy GAAP requirements regarding the State financial reporting entity.

Fund Balance Reserved for Other Specific Purposes
(Expressed in Thousands)

	Primary Government			Component Units
	General	Special Revenue	Debt Service	Universities
Loans	\$	\$ 810	\$	\$
Inventories	12,451	30,076		
Restricted gifts, grants and contracts				865,450
Deposit with fiscal agents		7,882	13,963	
Compensating balance with depositories		997		
Budget Stabilization	230,533			
TOTALS	\$ 242,984	\$ 39,765	\$ 13,963	\$ 865,450

L. Fund Equity Reserves and Designations - The Commonwealth's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure, or (2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

M. Long-Term Obligations - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences reported in the General Long-Term Obligations Account Group include accumulated unpaid vacation

and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material.

The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. At June 30, 1999, the estimated liability for accrued annual leave for the governmental and Primary Government proprietary funds was \$156,125,950 and \$10,884,488 respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 1999, the estimated liability for compensatory leave in the governmental and Primary Government proprietary funds was \$55,253,129 and \$3,024,512, respectively.

Sick leave for the Primary Government is earned one day per month

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with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement. There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.

(Expressed in Thousands)

Primary Government - Enterprise Fund

Contributed capital as of June 30, 1998	\$ 146,479	
Additions: Fiscal Year 1999	18,028	
Retirements: Fiscal Year 1999	(50)	
		\$ 164,457
Amortization through June 30, 1998	\$ (24,637)	
Additions: Fiscal Year 1999	(2,059)	
Retirements: Fiscal Year 1999	50	
		(26,646)
Net contributed capital as of June 30, 1999	\$ 137,811	

Primary Government - Internal Service Fund

Contributed capital as of June 30, 1998	\$ 11,102	
Additions: Fiscal Year 1999		
Retirements: Fiscal Year 1999	(7)	
		\$ 11,095
Amortization through June 30, 1998	695	
Additions: Fiscal Year 1999	(5,421)	
Retirements: Fiscal Year 1999	7	
		(4,719)
Net contributed capital as of June 30, 1999	\$ 6,376	

Component Units - Proprietary Funds

Contributed capital as of June 30, 1998	\$ 180,063	
Additions: Fiscal Year 1999	40,892	
		\$ 220,955
Amortization through June 30, 1998	(75,480)	
Additions: Fiscal Year 1999	(5,937)	
		(81,417)
Net contributed capital as of June 30, 1999	\$ 139,538	

4. Judgements and contingent liabilities of governmental funds which will not be paid with current resources are reported in the General Long-Term Obligations Account Group.

5. Long-term liabilities of all proprietary and pension trust funds are accounted for in the respective funds.

Long-term obligations exclude those amounts reported as expenditures for compensated absences, judgements, contingencies, and employer pension contributions in the governmental funds which are the amounts that would normally be liquidated with expendable available financial resources.

N. Contributed Capital - The Proprietary Funds receive general fund appropriations and proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group. The assets acquired with the proceeds of the revenue bonds are accounted for in the proprietary funds with an offsetting entry to contributed capital.

O. Totals - Memorandum Only - Total columns (memorandum only) have been added to certain statements to reflect totals for both the primary government and the reporting entity. These columns are presented for overview informational purposes and do not represent consolidated financial information.

Note 2

CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR PERIOD ADJUSTMENTS

The fund balances/retained earnings as previously reported have been restated to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

General Fund - The General Fund was restated to include an amount previously omitted in error. The net effect of this adjustment was an increase in fund balance of \$2,777,000.

Special Revenue Fund - The Federal Fund within the Special Revenue Fund was restated to include an amount previously omitted in error. The effect of this adjustment was an increase in fund balance of \$14,000. The Agency Revenue Fund was reduced to write-off loans receivable totaling \$604,000; \$1,500 to correct prior period adjustment; and increased by \$1,756,500 for items previously excluded in error. The net effect of these adjustments was an increase in fund balance of \$1,153,000. The Other Special Revenue Fund within the Special Revenue Fund increased by \$3,217,000 for an amount previously excluded in error and decreased by \$4,000 for an amount included in error. The net effect of these adjustments on the Special Revenue Fund was an increase in fund balance of \$3,213,000. The net effect of the adjustments on the Special Revenue Fund was an increase in fund balance of \$4,380,000.

Debt Service Fund - The Debt Service Fund was restated to include an amount previously omitted in error. The effect of this adjustment was an increase in fund balance of \$40,000.

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Capital Projects Fund - The Capital Projects Fund was restated to include an amount previously omitted in error. The effect of this adjustment was an increase in fund balance of \$9,633,000.

Enterprise Funds - The Kentucky Lottery Corporation decreased beginning retained earnings by \$4,000 to report investments at fair market value in compliance with GASB Statement 31. The Petroleum Storage Tank Environmental Assurance Program, within the Insurance Administration Fund, increased beginning retained earnings by \$85,012,000 for re-estimation of prior years claims liability. The net effect of these adjustments was an increase in retained earnings of \$85,008,000 in the Enterprise Funds.

Expendable Trust Funds - The beginning fund balance for the Unemployment Compensation Fund was restated to include an increase the estimate of benefits payable. This adjustment resulted in a decrease in fund balance of \$48,813,000. The Special Benefits Fund was restated to reflect the move of a previously blended component unit to a discretely presented component unit. This adjustment reduced fund balance by \$491,000. The net effect of these adjustments was a decrease in fund balance of \$49,304,000.

Pension Trust Funds - The Kentucky Employees Retirement System reduced previously reported plan net assets by \$2,746,000 for previous errors, which caused the overstatement on investment gains.

Account Groups - The General Fixed Asset Account Group was restated to reflect assets previously reported in the governmental function, which are now reported as a portion of a component unit. The net effect of this adjustment was a reduction in the beginning balance for fixed assets of \$112,787,000. The Long-term Obligations Account Group was restated to reflect the change of reporting a previously blended component unit as a discretely presented component unit. The adjustment reduced the amount of State Supported Bonded Debt by \$523,151,000. The liability for the unfunded employer pension contributions was restated to reflect an error in prior computations. The result of the adjustment was a reduction in liability of \$34,414,000. The net effect of these adjustments was a reduction in General Long-term Debt of \$557,565,000.

Component Units:

Proprietary Funds - The beginning retained earnings for the Kentucky Educational Television Authority were increased by \$19,268,000. The adjustment is the result of the Authority being relieved of a capital lease obligation by the Kentucky State Property and Buildings Commission. The beginning retained earnings for the Kentucky Higher Education Assistance Authority were increased by \$54,000 for a prior period adjustment. The beginning retained earnings for the Kentucky Infrastructure Authority was decreased by \$3,000 for a prior period adjustment. The net effect of these adjustments was an increase in beginning retained earnings of \$19,319,000.

Universities - The fund balance for the University of Louisville was decreased by \$4,128,000 representing the deferral of funds advanced from sponsors. The fund balance for Morehead State University was decreased by \$273,000 for an amount previously included in error. The fund balance for Kentucky State University was decreased by \$637,000 because preliminary statements had been used in the prior period. The fund balance for the Kentucky Community and Technology College System was increased by \$126,898,000 representing amounts previously reported in the primary government's governmental funds and in the General Fixed Asset Account Group. The net effect of these adjustments was net increase in fund balance for the college and university fund of \$121,860,000.

Note 3

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. The Special Revenue Fund - The Agency Revenue Fund budgetary statement has an excess of expenditures over appropriations of \$15,047,000 at June 30, 1999, for Campbell, Daviess, Fayette, Hardin, Jefferson, Kenton, Pike, and Warren counties, and is in accordance with State statutes. State statutes permit that "deficits may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." These amounts are within the statutes and repayment will be made during the term of office of the official. The Federal Fund has a deficit fund balance of \$39,093,000. The deficit is a result of expenditures for which reimbursement has not been received.

B. The Enterprise Fund - The Insurance Administration Fund has a deficit retained earnings of \$1,101,714,000. The deficit is the result of the inclusion of the actuarial liability for the risk pools, which will be funded in future periods.

C. The Internal Service Fund - The Risk Management Fund has a deficit retained earnings of \$51,674,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured worker's compensation programs, and is to be funded in future periods.

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D. Component Units - Governmental Fund Types - Bluegrass State Skills Corporation has a deficit fund balance of \$147,000. The deficit is the result of expenditure accruals which will be funded in future periods.

Proprietary Fund Types - The Kentucky Local Correctional Facilities Construction Authority has a deficit retained earnings of \$14,606,000 resulting from the recognition of loan commitments before financing was arranged. The Authority will issue bonds to satisfy these commitments in the future.

Note 4

BUDGETARY BASIS VS. GAAP

The accompanying Combined Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)-All Budgeted Fund Types, presents comparisons of the legally adopted budget (see Note 1E) with actual data on budgetary basis. The Other Special Revenue Fund within the Special Revenue Fund type and the Kentucky Lottery Corporation within the Enterprise Fund type are not budgeted and are shown for comparison purposes only.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1999, to the fund balance on a modified accrual basis follows (expressed in thousands):

Budgetary Funds	General	Special Revenue	Enterprise	Internal Service	Expendable Trust	Component Units
Financial Statements Funds	General	Special Revenue	Enterprise	Internal Service	Fiduciary	Component Units
Fund Balance/Retained Earnings June 30, 1999:						
Budgetary Basis	\$ 422,440	\$ 1,322,943	\$ 365,859	\$ 91,136	\$ 663,303	\$ 130,808
Adjustments:						
Accrued Revenues	243,090	318,475	2,772	773	10,337	
Accrued Expenditures	(173,445)	(347,511)	(4,216)	(2,249)	(49,475)	
Accrued Transfers (Net)	(7,450)	1,783				
Total Accruals ¹	62,195	(27,253)	(1,444)	(1,476)	(39,138)	
Reclassifications and Other Adjustments:						
Inventory Balances ¹	12,449	30,014	3,208	3,931		
To Reclassify Financial Resources into Financial Statement Fund Types ²	5,470	(361,157)	10,699	(11,928)	(1,907)	
To Record Financial Resources available as Non-Budgeted Funds ³	(15,000)	392,652	(1,241,184)	(73,360)	26,631,369	4,863,501
Fund Equity/Other Credits June 30, 1999:						
GAAP Basis	\$ 487,554	\$ 1,357,199	\$ (862,862)	\$ 8,303	\$ 27,253,627	\$ 4,994,309

¹ Basis Differences

² Perspective Differences

³ Entity Differences

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Note 5

EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS

The State maintains a cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and Component Units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; asset backed securities; U.S. dollar denominated corporate securities; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are

permitted to purchase common stocks, corporate bonds and real property and mineral rights. The State is also eligible to invest in reverse repurchase agreements.

Deposits - At year end, the carrying amount of the State's deposits for the Primary Government was \$1,365,500,516 and \$353,421,790 for the Component Units. At year end, the bank balance was \$1,519,343,807 and \$399,530,925 for the Primary Government and Component Units, respectively. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the State or the State's agent in the State's name. The following table categorizes the Primary Government's and Component Units' deposits as: (1) insured or collateralized with securities by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name; or (3) uncollateralized where securities are held by the pledging institution but not in the entity's name.

CASH - PRIMARY GOVERNMENT

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 615,834,341	\$	\$ 11,731,409	\$ 627,565,750	\$ 473,722,458
Cash with Fiscal Agents	86,883,833		0	86,883,833	86,883,833
Imprest and Change	9,849,500			9,849,500	9,849,500
Money Market			120,714,179	120,714,179	120,714,179
Total	<u>\$ 712,567,674</u>	<u>\$ 0</u>	<u>\$ 132,445,588</u>	845,013,262	691,169,970
Cash on Deposit with Federal Government				674,330,546	674,330,546
				<u>\$1,519,343,807</u>	<u>\$1,365,500,516</u>

Total

CASH - COMPONENT UNITS

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 319,276,968	\$ 11,499,848	\$ 1,713,703	\$ 324,509,626	\$ 278,400,491
Money Market	9,817,309	43,787,023	21,093,111	74,697,443	74,697,443
Nonnegotiable Certificates of Deposit	323,856			323,856	323,856
Totals	<u>\$ 329,418,133</u>	<u>\$ 55,286,871</u>	<u>\$ 22,806,814</u>	<u>\$ 399,530,925</u>	<u>\$ 353,421,790</u>

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Investments - The State holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the State are administered by the Office of Financial Management and Economic Analysis. The credit risk of those investments held in the State investment pool is all Category (1). The credit risk mix of the retirement systems, component units, and other State agencies is disclosed in the financial statement footnotes of the individual entities. The following tables categorize the Primary Government's

and Component Units' investments as: Category (1) those investments which are insured or registered, or held by the State of Kentucky or its agent in the State's name; Category (2) those investments which are uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name; and Category (3) those investments which are uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

INVESTMENTS - PRIMARY GOVERNMENT

	Categories			Net Investment	Fair Value
	1	2	3		
Government Securities	\$4,781,419,311	\$ 73,382,230	\$ 216,446,233	\$ 5,071,247,774	\$ 5,071,247,774
Collateralized Mortgage Obligations	8,656,437			8,656,437	8,656,437
Negotiable Certificate of Deposit	764,611			764,611	764,611
Corporate Bonds	3,109,928,029	98,630,329		3,208,558,358	3,208,558,358
Common Stocks	15,780,072,404	153,769,720		15,933,842,124	15,933,842,124
Repurchase Agreements	1,647,674,067		1,108,940,552	2,755,636,619	2,756,614,619
State and Municipal Obligations	124,262,413			124,262,413	124,262,413
Commercial Paper	60,981,866			60,981,866	60,981,866
Open-end Mutual Funds		1,011,753		1,011,753	1,011,753
Securities Lending Collateral			257,678,042	518,488,858	257,678,042
Totals	<u>\$25,513,759,138</u>	<u>\$ 326,794,032</u>	<u>\$1,583,064,827</u>	<u>\$ 27,422,639,997</u>	<u>\$ 27,423,617,997</u>
Mutual Funds				285,809,462	285,809,462
Real Estate				676,251,668	676,251,668
Mortgages				534,171,874	534,171,874
Annuity Contracts				186,621,115	186,621,115
State Investment Pool				268,941,170	268,941,170
Investments Held by Broker-Dealers				1,433,307,333	1,433,307,333
Under Securities Loaned					
Other				92,865	92,865
Total Investments				<u>\$ 30,807,835,484</u>	<u>\$ 30,808,813,484</u>

INVESTMENTS - COMPONENT UNITS

	Categories			Net Investment	Fair Value
	1	2	3		
Government Securities	\$ 261,677,935	\$ 197,716,251	\$ 3,112,708	\$ 462,506,894	\$ 462,506,894
Negotiable Certificates of Deposit	5,439,987			5,439,987	5,439,987
Corporate Bonds	77,311,127			77,311,127	77,311,127
Other	145,149		100,000	245,149	245,149
Common Stock	152,933,149	8,062,003		160,995,152	160,995,152
Repurchase Agreements	262,759,621	5,581,118		268,340,739	268,340,739
State and Municipal Obligations		206,399		206,399	206,399
Preferred Stock	464,500			464,500	464,500
Commercial Paper	10,407,705	66,044,456	14,263,379	90,715,540	90,715,540
Collateralized Mortgage Obligation	9,799,901	8,200,871		18,000,772	18,000,772
Equity in Cooperatives	13,297,622			13,297,622	13,297,622
Endowment Funds	3,171,053			3,171,053	3,171,053
Totals	<u>\$ 797,407,749</u>	<u>\$ 285,811,098</u>	<u>\$ 17,476,087</u>	<u>1,100,694,934</u>	<u>1,100,694,934</u>
Cash				1,952,586	1,952,586
Government Securities				6,235,477	6,235,477
Endowment Funds				106,320,385	106,320,385
Open-End Mutual Funds				181,463,032	181,463,032
Guaranteed Investment Contracts				208,279	208,279
Real Estate				312,362	312,362
Mortgage Backed Securities				6,375,000	6,375,000
Trust Funds				9,900,310	9,900,310
State Investment Pool				414,381,845	414,381,845
Total Investments				<u>\$ 1,827,844,210</u>	<u>\$ 1,827,844,210</u>

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Statutes require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

Securities Lending Program - State statutes, as interpreted by opinions of the Attorney General, authorize the Commonwealth to enter into bonds borrowed/bonds pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the State is legally authorized to hold. The Commonwealth does not have the ability to pledge or sell collateral securities without a borrower default. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred. The securities transferred are a part of the total investments reported above. The securities being held are not reported as a part of the total investments. The Commonwealth

retains the interest income on the securities being transferred and received a fee of 9.5 basis points from July 1, 1998 to January 31, 1999 from February 1, 1999 to June 30, 1999 received 7.5. During the year, the State earned \$1,896,533.63 in securities lending income. On June 30, 1999, the market value of the securities transferred was \$1,689,501,000 and the market value of the securities the Commonwealth was holding was \$1,723,293,060. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. At year end, the Commonwealth has no credit risk exposure to borrowers because the amounts the Commonwealth owes the borrowers exceed the amounts the borrowers owe the Commonwealth.

Options - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation should the option be exercised. On June 30, 1999, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par after a specific date.

Note 6

GENERAL FIXED ASSETS

A statement of changes in general fixed assets for the year ended June 30, 1999, is presented below (Expressed in Thousands):

	Land	Buildings	Machinery and Equipment	Construction in Progress	Totals
Balance June 30, 1998, as restated	\$ 77,164	\$ 664,433	\$ 273,993	\$ 123,124	\$ 1,138,714
Additions	2,436	3,180	37,788	36,889	80,293
Deletions	(1,642)	(1,189)	(19,531)	(4,018)	(26,380)
Balance June 30, 1999	\$ 77,958	\$ 666,424	\$ 292,250	\$ 155,995	\$ 1,192,627

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Note 7

INTERFUND TRANSACTIONS

The table below shows the interfund receivables and payables and interfund operating transfers for fiscal year 1999 (Expressed in Thousands):

Interfund Receivables and Payables			Transfers In/Out		
Fund	Interfund Receivable	Interfund Payable	Fund	Operating Transfers In	Operating Transfers Out
General	\$ 339,137	\$ 209,891	General	\$ 185,551	\$ 1,669,728
Special Revenue:			Special Revenue:		
Transportation	21,782	1,682	Transportation	195	163,197
Federal	28,618	179,978	Federal	28,374	28,829
Agency Revenue	81,529	44,411	Agency Revenue	940,628	739,485
Other Special Revenue	6,273	13,541	Other Special Revenue	356,460	456,426
Debt Service	2,493		Debt Service	345,632	9,997
Capital Projects	2,095	4,630	Capital Projects	376,344	213,461
Enterprise:			Enterprise:		
State Parks	111	354	State Parks	27,284	1,423
Industries for the Blind			Kentucky Lottery Corporation		159,589
Horse Park	1	23	Industries for the Blind	933	
Insurance Administration	20	181	Horse Park	3,390	
Internal Service:			Insurance Administration	19,000	8,448
Fleet Management	447	380	Internal Service:		
Computer Services	7,256	165	Computer Services	2,122	502
Prison Industries	737	48	Prison Industries	298	
Central Printing	237	1	Central Printing		
Property Management	568	25	Property Management	2,466	
Risk Management	16	2,962	Risk Management		3,111
Fiduciary Funds:			Fiduciary Funds:		
Unemployment Compensation		1,716	Unemployment Compensation		1,710
Special Benefits	11,399	42,691	Special Benefits	311,344	149,855
Special Deposit Trust		40	Component Units:		
Component Units:			Governmental	24,364	
Proprietary			Proprietary	73,809	3,776
Universities and Colleges	147,890	147,890	Universities and Colleges	911,343	
Totals per financial statements:	\$ 650,609	\$ 650,609	Totals per financial statements:	\$ 3,609,537	\$ 3,609,537

Note 8

PENSION PLANS

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS).

The State contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The State is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan, provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget.

The financial statements are prepared using the accrual basis of

accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

The allocation of insurance premiums paid by the Fund and amounts withheld from members' benefits is based on years of service with the Systems, as follows:

Years of Service	Percent Paid by Insurance Fund	Percent Paid by Member Through Payroll Deduction
20 or More	100%	0%
15-19	75%	25%
10-14	50%	50%
4 - 9	25%	75%
Less Than 4	0%	100%

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

The Judicial Retirement Plan is a single employer defined benefit plan which provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The Legislators' Retirement Plan is a single employer defined benefit plan which provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.925%

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benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

The Kentucky Teachers' Retirement System (KTRS) was established by

the 1938 General Assembly and is governed by Chapter 161 Section 220 through Section 990 of the Kentucky Revised Statutes. KTRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for local school districts and other educational agencies in the state.

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Plan investments are reported at fair value. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

Cost-of-living adjustments (COLA) are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Employes Retirement System	Kentucky Teachers' Retirement System
Contribution rates:					
State	45.20%	22.84%	23.41%	8.03%-18.66%	13.105%-13.840%
Plan Members	5.00%	3-5.00%	8.00%	5%-7%	6.160%-9.855%
Portion of State Contribution for Health Insurance			18.14%	4.44% -10.75%	0.75%
Annual pension costs (in thousands)	\$1,547	\$5,943	\$9,773	\$128,198	\$334,700
Contributions made (in thousands)	\$1,698	\$6,119	\$9,463	\$128,959	\$334,700
Actuarial valuation date	June 30, 1999	June 30, 1999	June 30, 1999	June 30, 1999	June 30, 1999
Actuarial cost method	Projected unit credit	Projected unit credit	Entry age normal	Entry age normal	Projected unit credit
Amortization method	Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period	25 years	25 years	30 years	30 years	20 years
Asset valuation method	Cost	Cost	Five yr. average of market to book	Five yr. average of market to book	Five yr. average of market to book
Actuarial assumptions:					
Investment rate of return	7.00%	7.00%	8.25%	8.25%	7.50%
Inflation Rate			3.50%	3.50%	4.00%
Projected salary increases	5.50%	5.50%	6.50%	6.50%	4.00%-8.10%
Increase in Health Insurance Cost	6%-10%	6%-10%	7.5%-10%	7.5%-10%	1.50%
(Dollar amounts in thousands)					
Annual Required Contributions (ARC)	\$ 1,547	\$ 5,984	\$ 9,465	\$ 126,167	\$ 334,700
Int. on Net Pension Obligation(NPO)	0	285	784	5,171	0
Adjustment to ARC	0	(326)	(476)	(3,140)	0
Annual pension cost	1,547	5,943	9,773	128,198	334,700
Contributions made	1,698	6,119	9,463	126,959	334,700
Increase (Decrease) in NPO	(151)	(176)	310	1,239	0
NPO beginning of year	0	4,401	9,510	62,536	0
NPO end of year	\$ 0	\$ 4,225	\$ 9,820	\$ 63,775	\$ 0

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Kentucky Employees Retirement System</u>						
<u>Non-Hazardous</u>						
June 30, 1997	\$ 3,683,995,005	\$ 3,463,047,650	\$ (220,947,355)	1.064	\$ 1,234,798,738	(0.179)
June 30, 1998	4,356,072,625	3,800,014,746	(556,057,879)	1.146	1,321,004,266	(0.421)
June 30, 1999	5,264,340,397	4,327,622,821	(936,717,576)	1.216	1,330,766,100	(0.704)
<u>Hazardous</u>						
June 30, 1997	\$ 166,717,238	\$ 140,918,460	\$ (25,798,778)	1.183	\$ 87,757,075	(0.294)
June 30, 1998	212,214,618	171,735,076	(40,479,542)	1.236	93,130,996	(0.435)
June 30, 1999	259,839,319	204,282,788	(55,556,531)	1.272	103,464,123	(0.537)
<u>State Police Retirement System</u>						
June 30, 1997	\$ 279,643,275	\$ 255,784,758	\$ (23,858,517)	1.093	\$ 41,586,211	(0.574)
June 30, 1998	306,318,918	294,427,019	(11,891,899)	1.040	38,727,361	(0.307)
June 30, 1999	357,623,196	314,021,673	(43,601,523)	1.139	40,433,405	(1.078)
<u>Judicial Retirement Plan</u>						
June 30, 1997	\$ 156,157,021	\$ 144,748,660	\$ (11,408,361)	1.079	\$ 18,445,619	(0.618)
June 30, 1998	185,267,039	153,968,225	(31,298,814)	1.203	19,289,394	(1.623)
June 30, 1999	244,347,903	165,220,509	(79,127,394)	1.479	21,491,692	(3.682)
<u>Legislators' Retirement Plan</u>						
June 30, 1997	\$ 40,098,285	\$ 39,487,831	\$ (610,454)	1.015	\$ 3,245,000	(0.188)
June 30, 1998	47,166,187	40,796,052	(6,370,135)	1.156	3,080,000	(2.068)
June 30, 1999	61,609,860	41,746,335	(19,863,525)	1.476	3,080,000	(6.449)
<u>Kentucky Teachers' Retirement System</u>						
June 30, 1997	\$ 8,789,900,000	\$ 9,906,200,000	\$ 1,116,300,000	0.887	\$ 1,925,000,000	0.580
June 30, 1998	10,370,600,000	11,516,600,000	1,146,000,000	0.900	1,973,700,000	0.581
June 30, 1999	11,958,600,000	12,288,200,000	329,600,000	0.973	2,041,400,000	0.161

Membership of the retirement systems, at June 30, 1999, is shown in the following table:

	Kentucky Employees Retirement System		County Employees Retirement System		State Police Retirement System	Judicial Retirement Plan
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous		
Retirees and beneficiaries receiving benefits	21,941	780	20,687	2,704	762	210
Terminated plan members - vested	2,978	96	3,238	128	14	21
Terminated plan members - non-vested	11,512	516	19,347	331	72	
Active plan members	48,824	3,889	74,151	7,488	985	240
Total members	82,255	5,281	117,423	10,651	1,833	471
Number of participating employers	386		1,144		1	1

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Three year trend for contributions
(Amounts expressed in thousands)

Kentucky Employees Retirement System

Non-Hazardous

1997	\$	109,774	93.5%
1998		177,437	95.4%
1999		106,861	100.6%

Hazardous

1997	\$	15,682	96.6%
1998		16,643	96.1%
1999		19,306	100.7%

State Police Retirement System

1997	\$	11,054	87.1%
1998		10,294	93.0%
1999		9,465	99.9%

Judicial Retirement Plan

1997	\$	5,087	105.9%
1998		5,087	105.6%
1999		5,984	102.2%

Legislators' Retirement Plan

1997	\$	1,629	100.1%
1998		1,629	100.0%
1999		1,547	109.7%

Teachers' Retirement System

1997	\$	328,600	100.0%
1998		329,500	100.0%
1999		334,700	100.0%

Note 9

EMPLOYEE BENEFIT PLANS

A. Self-Insured Health Care

The Kentucky Kare Health Insurance Authority Board of Directors withdrew the Kentucky Kare Self Insured Health Kare Plan from open enrollment for the Plan year 1999. Prior to 1999 the Plan had been offered as one of ten health insurance options to employees

of the State, local boards of education, local health departments and retirees under the age of 65. Under health care reform, individuals, municipal governments, and qualified small businesses were also eligible to purchase health insurance from the State's self-insured plan. The plan is administered by third parties responsible for the processing of claims, cost containment, and utilization review. As of the last day of the 1998 plan year, December 31, 1998, Kentucky Kare had 30,183 active contracts. On January 1, 1999, Kentucky Kare had 477 individual and small business contracts, and by April 30, 1999, Kentucky Kare had no active contracts. The third party administrators will continue paying claims incurred for the last year the plan was offered.

B. Deferred Compensation

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Personnel Cabinet and an independent plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the insurance companies holding fixed and variable annuity contracts (carriers). Both plans permit employees to defer collecting a portion of their salary until future years. This deferment is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the 457 Plan are reported in an Expendable Trust Fund within the fiduciary fund type, in compliance with Internal Revenue Code and GASB 32 requirements.

Of the \$472,431,000 in the 457 Plan at June 30, 1999, \$304,570,000 was applicable to the Commonwealth, while the remaining \$167,861,000 represents assets of the other jurisdictions participating in the Plan.

Note 10

LEASE OBLIGATIONS

The Commonwealth has entered into various leases for land, buildings, and equipment. Generally, leases contain termination clauses providing for cancellation after 30, 60, or 90 days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Changes in leases payable accounted for in the General Long-Term Obligation account group for the year ended June 30, 1999, are summarized in Note 15.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

Legislators' Retirement Plan	Kentucky Teachers' Retirement System	Totals
110	29,157	76,351
60	4,960	11,495
120	52,707	31,778
290	86,824	185,404
		305,028
1	201	1,734

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At June 30, 1999, capitalized leases included buildings and equipment as follows (Expressed in Thousands):

Equipment acquired through capital leases is recorded at the lesser of fair market value or present value of future minimum lease payments.

	Primary Government		Component
	Proprietary Fund Types	General Fixed Assets	Units
Buildings	\$	\$	\$ 7,871
Equipment	3,437	3,338	14,183
Total	3,437	3,338	22,054
Less: Accumulated Amortization	(729)		20,831
Total, Net of Amortization	\$ 2,708	\$ 3,338	\$ 1,223

Future minimum rental commitments for capitalizable leases as of June 30, 1999, are as follows (Expressed in Thousands):

	Primary Government			Component Units	
	Long-term Obligations Account Group	Enterprise Funds	Internal Service Funds	University and College Funds	Total
2000	\$ 1,034	\$ 16	\$ 3,502	\$ 6,313	\$ 10,865
2001	573	3	2,256	4,986	7,818
2002	249	2		28,112	28,363
2003	155	2		2,484	2,641
2004	102			2,166	2,268
Thereafter				14,642	14,642
Totals	2,113	23	5,758	58,703	66,597
Less: Amounts representing Interest (2.2% to 15.2%)	167	3	380	6,933	7,483
Present value of future minimum lease payments	\$ 1,946	\$ 20	\$ 5,378	\$ 51,770	\$ 59,114

Note 11

RISK MANAGEMENT

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

Fire and Tornado Insurance:

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$300,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$ 893,225 reported in the Program at June 30,

1999, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1999 and 1998 were:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 1,237,803	\$ 2,387,913
Incurred Claims	1,009,154	1,393,587
Changes in Estimates		
Claim Payments	(1,353,732)	(2,543,697)
Balance at Fiscal Year End	\$ 893,225	\$ 1,237,803

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Self Insured Workers' Compensation:

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000.

The actuarial determined aggregate claims liability of \$54,313,816 reported in the Program at June 30, 1999, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in fiscal 1999 and 1998 were:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 20,094,925	\$ 21,476,178
Claims and Claims Adjustments Incurred	1,552,783	1,820,499
Changes in Estimates		
Claims and Claims Adjustment Payments	(3,770,075)	(3,201,752)
Balance at Fiscal Year End	<u>\$ 17,877,633</u>	<u>\$ 20,094,925</u>

Note 12

RISK POOLS

The Commonwealth's risk pools, which are reported as enterprise funds, are the Insurance Administration Fund and the Grain Insurance Fund. The Insurance Administration Fund includes the operations of six risk pools, as follows: Kentucky Kare, Workers' Compensation Insurance, Coal Workers Pneumoconiosis, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Fund is reported as part of the primary government. The Grain Insurance Fund is a risk pool reported as a discrete component unit.

Risk Pools - Enterprise Funds
Kentucky Kare:

Kentucky Kare is a self-insured health care Plan offered to employees of the state, local boards of education, local health departments, and retirees under the age of 65 of the Kentucky Retirement systems and private individuals and businesses. The last year the plan was offered was calendar year 1998. At its board meeting on November 24, 1998, the board members voted to withdraw the Plan from open enrollment for the 1999 calendar year. This plan was administered by a third party responsible for the processing of claims, cost containment, and utilization review. The third party administrators will continue operations until all claims for the last plan year have been satisfied.

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 55,269,655	\$ 51,627,935
Claims and Claims Adjustments Incurred		
Current Year	13,297,611	13,242,891
Prior Year	(3,087,392)	2,531,693
Total Claims and Claims Adjustments Incurred	10,210,219	15,774,584
Claims and Claims Adjustment Payments	(2,702,211)	(2,818,916)
Current Year	(8,463,847)	(9,313,948)
Prior Year		
Total Claims and Claims Adjustment Payments	(11,166,058)	(12,132,864)
Balance at Fiscal Year End	<u>\$ 54,313,816</u>	<u>\$ 55,269,655</u>

Transportation Cabinet Workers' Compensation:

The Transportation Cabinet's Self-Insured Worker's Compensation Trust Program (the "Program") was organized on July 1, 1963, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the Program.

Prior to December 31, 1998, the Kentucky Health Purchasing Alliance collected premiums from Kentucky Kare subscribers. The Kentucky Kare Health Insurance Authority has challenged the premium amounts received from the Kentucky Health Purchasing Alliance. It is expected that in fiscal year 1999-2000 the accounting of all premiums in question will be resolved and the Kentucky Kare Health Insurance Authority will receive an as yet undetermined amount of premiums due.

Estimates of the liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined using the development method. This method uses past observed patterns of

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the time between claim incurred and payment to estimate incurred claims from available paid claims information. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Claims adjustment expense is included in the administrative fee paid to the third party administrator.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related claims' adjustments. The following represents changes in this liability for the Plan during the past two years:

	Fiscal Year 1999	Fiscal Year 1998
Beginning Unpaid Claims Liability	\$ 23,212,934	\$ 21,767,633
Claims Incurred:		
Current Year	80,885,640	147,521,996
Increase (Decrease) In Prior Years		3,074,250
Total Incurred Claims	80,885,640	150,596,246
Claims Paid:		
Current Year	(79,234,640)	(127,323,914)
Prior Years	(23,212,934)	(21,827,031)
Total Payments	(102,447,574)	(149,150,945)
Ending Unpaid Claims	\$ 1,651,000	\$ 23,212,934

Workers' Compensation Insurance:

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers pre-existing conditions to protect employers from having to pay for injuries not sustained in their employ, or more than once for disabilities resulting from the same accident. This program encourages re-employment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,065,458,525 as reported in the financial statements, is the present value of the aggregate actuarial determined claims liability of \$2,303,635,583, discounted at 7.0%, and the net of the estimated realizable value of reimbursements. The claims adjusted liability of \$44,962,350, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$97,213,433, discounted at 7.0%.

The actuarial determined liabilities described above arise from projections included in an actuarial report dated November 1, 1999. Changes in the program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 2,421,721,534	\$ 2,543,800,912
Claims and Claims Adjustments Incurred	86,587,401	1,754,681
Changes in Estimates		
Claims and Claims Adjustment Payments	(107,459,919)	(123,834,059)
Balance at Fiscal Year End	\$ 2,400,849,016	\$ 2,421,721,534

Coal Workers Pneumoconiosis Fund:

The Coal Workers' Pneumoconiosis Fund (CWPF) was created within the Labor Cabinet through the enactment of House Bill No. 1 by the December 1996 Special Session of the General Assembly. The CWPF is liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal. The employer is liable for the remaining one-half.

In accordance with House Bill No. 1 from the December 1996 Special Session, the Kentucky Workers' Compensation Funding Commission shall impose a pneumoconiosis assessment to prefund the liabilities of the CWPF and to finance its administration. The assessment is three percent (3%) of workers' compensation premiums received on or after January 1, 1997, from employers engaged in the severance or processing of coal and an additional assessment of \$0.025 per ton imposed upon coal severed on or after January 1, 1997. All pneumoconiosis assessments collected by the Funding Commission are to be credited to a separate account within the Benefit Reserve Fund and to be transferred as necessary to pay administrative expenses and current claims of the CWPF.

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$7,273,279, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$10,390,398, discounted at 7.0%. The claims adjustment liability of \$612,410, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$874,872, discounted at 7.0%.

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Changes in the aggregate liability for claims and claims adjustments for the past two years are as follows:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 8,392,464	\$ 2,797,488
Claims and Claims Adjustments Incurred	2,902,404	5,594,976
Changes in Estimates		
Claims and Claims Adjustment Payments	(29,598)	
Balance at Fiscal Year End	\$ 11,265,270	\$ 8,392,464

As stated above, the Coal Workers' Pneumoconiosis Fund was created by the December 1996 Special Session of the General Assembly. Therefore, there are no provisions for claims prior to 1997.

Petroleum Storage Tank Environmental Assurance Program:

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. The purpose of the Program is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. The Program is funded by a fee paid by dealers on each gallon of gasoline and special fuels received in the State at a rate of one and four-tenths (\$.014) cents per gallon.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles which are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, and at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$499,600,000 reported in the financial statements, is the aggregate actuarial determined claims liability and is not discounted. The claims adjustments liability of \$15,500,000 reported in the financial statements is the actuarial determined aggregate liability and is not discounted.

Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 429,100,000	\$ 387,400,000
Claims and Claims Adjustments Incurred	115,900,000	68,900,000
Changes in Estimates		
Claims and Claims Adjustment Payments	(29,900,000)	(27,200,000)
Balance at Fiscal Year End	\$ 515,100,000	\$ 429,100,000

Bond Pool:

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and perspective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These standards, used to evaluate potential Bond Pool members, consider factors such as mining experience, reclamation history, and financial condition of the applicant.

Accepted members are rated by the Commission based on the standards considered in the application process. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended for members who have participated in the Program for 36 months, when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation cost that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$2,625,568 as reported in the financial statements, is the aggregate actuarial determined claims liability. The claims adjustment liability of \$833,926 is the actuarial determined aggregate liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years are:

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	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 3,459,494	\$ 3,439,494
Claims and Claims Adjustments Incurred		20,000
Changes in Estimates		
Claims and Claims Adjustment Payments		
Balance at Fiscal Year End	\$ 3,459,494	\$ 3,459,494

Mine Subsidence Insurance:

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the State, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program and the insurer is required to cede this coverage to the Program. The insurer may refuse to provide coverage where pre-existing damage is determined to exist. The Program provides coverage subject to a deductible of 2% of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

The claims liability of \$450,000 reported in the Program at June 30, 1999, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1999 and 1998 were:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 365,500	\$ 219,000
Claims and Claims Adjustments Incurred	134,500	163,847
Changes in Estimates		
Claim and Claims Adjustment Payments	(50,000)	(17,347)
Balance at Fiscal Year End	\$ 450,000	\$ 365,500

Risk Pools - Component Units

Grain Insurance:

The Grain Insurance Program is established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or

grain warehousemen. The Program is funded by a half-cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

The claims liability of \$0 reported in the Program at June 30, 1999, is based on the requirements of GASB 10, which states that a liability for claims be reported, if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1999 and 1998 were:

	Fiscal Year 1999	Fiscal Year 1998
Beginning of Fiscal Year Liability	\$ 0	\$ 277,177
Claims and Claims Adjustments Incurred		
Changes in Estimates	0	(185,328)
Claims and Claims Adjustment Payments	0	(91,849)
Balance at Fiscal Year End	\$ 0	\$ 0

Note 13

DEFEASANCE OF LONG-TERM DEBT

The State Property and Buildings Commission issued \$31,550,000 Revenue and Revenue Refunding Bonds, Project 62, dated March 1, 1999. The net proceeds of this issue were \$31,269,048.18 after issuance cost, underwriters discount and premium of \$280,951.82. The net proceeds were placed in an escrow account to refund Project 54 and Project 56. The net savings (reduction in cash flow) for the Refunding Bonds will be \$1,858,078.19. The present value is \$1,294,150.25 at a rate of 4.500%.

The Kentucky School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. During the fiscal year ended June 30, 1999, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated July 1, 1998, were issued for the Hickman County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$794,015 maturing March 1, 1999 through March 1, 2018, and carrying

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interest rates from 4.000% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Johnson County School District Finance Corporation to refund a 1989 A and a 1989 B issue. The Commission's portion of the refunding issue was \$1,585,000 maturing November 1, 1998 through November 1, 2009, and carrying interest rates from 3.700% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Madison County School District Finance Corporation to refund 1987, 1989, and 1991 issues. The Commission's portion of the refunding issue was \$2,036,654 maturing March 1, 1999 through March 1, 2010, and carrying interest rates from 1.000% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Mercer County School District Finance Corporation to partially refund 1991 issue. The Commission's portion of the refunding issue was \$583,361 maturing December 1, 1998 through December 1, 2010, and carrying interest rates from 4.000% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Middlesboro Independent School District Finance Corporation to partially refund a 1990 issue. The Commission's portion of the refunding issue was \$412,605 maturing May 1, 1999 through May 1, 2010, and carrying interest rates from 4.00% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated July 1, 1998, were issued for the Pulaski County School District Finance Corporation to refund a 1989 and 1990 issue. The Commission's portion of the refunding issue was \$2,788,120 maturing November 1, 1998 through November 1, 2009, and carrying interest rates from 1.000% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1998, were issued for the Carroll County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue

was \$804,800 maturing January 1, 1999 through July 1, 2010, and carrying interest rates from 3.700% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1998, were issued for the Jackson County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$526,424 maturing August 1, 1999 through August 1, 2010, and carrying interest rates from 3.900% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1998, were issued for the Mason County School District Finance Corporation to refund a 1989 and a 1991 issue. The Commission's portion of the refunding issue was \$1,148,196 maturing August 1, 1999 through August 1, 2010, and carrying interest rates from 3.800% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated August 1, 1998, were issued for the Scott County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$295,327 maturing August 1, 1999 through August 1, 2009, and carrying interest rates from 4.050% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated September 1, 1998, were issued for the Bath County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$12,827 maturing September 1, 1999 through September 1, 2018, and carrying interest rates from 4.000% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated September 1, 1998, were issued for the Fulton County School District Finance Corporation to refund a 1987 and a 1989 issue. The Commission's portion of the refunding issue was \$1,258,363 maturing March 1, 1999 through March 1, 2009, and carrying interest rates from 3.700% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. There were no savings to the Commission for this issue.

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Revenue refunding bonds dated September 1, 1998, were issued for the Greenup County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$917,025 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 3.600% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated September 1, 1998, were issued for the Hardin County School District Finance Corporation to partially refund 1989, 1990, and 1991 issues. The Commission's portion of the refunding issue was \$11,746,253 maturing January 1, 1999 through July 1, 2010, and carrying interest rates from 3.500% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989, 1990, and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated September 1, 1998, were issued for the Logan County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$673,317 maturing February 1, 1999 through February 1, 2011, and carrying interest rates from 3.700% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds, dated September 1, 1998, were issued for the Todd County School District Finance Corporation to partially refund a 1990 issue. The Commission's portion of the refunding issue was \$890,000 maturing December 1, 1998 through December 1, 2009, and carrying interest rates from 3.850% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1998, were issued for the Anderson County School District Finance Corporation to refund a 1987, 1989, and 1991 issue. The Commission's portion of the refunding issue was \$1,635,477 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 3.300% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987, 1989, and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1998, were issued for the Clinton County School District Finance Corporation to partially refund a 1992 issue. The Commission's portion of the refunding issue was \$2,871,956 maturing June 1, 1999 through June 1, 2012, and carrying interest rates from 3.500% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements

for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 1, 1998, were issued for the Garrard County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$880,925 maturing June 1, 1999 through June 1, 2011, and carrying interest rates from 3.900% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 15, 1998, were issued for the Glasgow Independent School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$515,454 maturing May 1, 1999 through May 1, 2012, and carrying interest rates from 3.700% to 4.125%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated October 15, 1998, were issued for the Lincoln County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$1,221,687 maturing May 1, 1999 through May 1, 2012, and carrying interest rates from 3.250% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Ballard County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$1,281,105 maturing June 1, 1999 through December 1, 2010, and carrying interest rates from 3.250% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Breathitt County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$1,015,412 maturing March 1, 1999 through March 1, 2012, and carrying interest rates from 4.000% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Fort Thomas Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$675,235 maturing February 1, 1999 through August 1, 2011, and carrying interest rates from 3.600% to 4.000%. The proceeds

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were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Harrison County School District Finance Corporation to refund a 1986 and a 1992 issue. The Commission's portion of the refunding issue was \$792,242 maturing March 1, 1999 through September 1, 2012, and carrying interest rates from 3.500% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 and 1992 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Hart County School District Finance Corporation to refund a 1990 and a 1991 issue. The Commission's portion of the refunding issue was \$902,697 maturing February 1, 1999 through February 1, 2011, and carrying interest rates from 3.800% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Henry County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$403,971 maturing November 1, 1999 through November 1, 2012, and carrying interest rates from 3.750% to 4.300%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Livingston County School District Finance Corporation to partially refund a 1994 issue. The Commission's portion of the refunding issue was \$914,315 maturing June 1, 1999 through June 1, 2014, and carrying interest rates from 3.850% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1994 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Lyon County School District Finance Corporation to refund a 1990 and a 1992 issue. The Commission's portion of the refunding issue was \$239,439 maturing March 1, 1999 through March 1, 2012, and carrying interest rates from 3.650% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 and 1992 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Marshall County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$1,292,898 maturing April 1, 1999 through October 1, 2010, and

carrying interest rates from 3.500% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Morgan County School District Finance Corporation to refund a 1989 and a 1992 issue. The Commission's portion of the refunding issue was \$832,656 maturing April 1, 1999 through April 1, 2012, and carrying interest rates from 3.500% to 4.350%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1992 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Providence Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$452,004 maturing December 1, 1999 through December 1, 2010, and carrying interest rates from 3.500% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Raceland-Worthington Independent School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$571,477 maturing April 1, 1999 through April 1, 2011, and carrying interest rates from 3.250% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated November 1, 1998, were issued for the Rowan County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$315,000 maturing January 1, 1999 through January 1, 2010, and carrying an interest of 4.125%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the Edmonson County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$1,064,428 maturing April 1, 1999 through October 1, 2010, and carrying interest rates from 3.500% to 4.125%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the Henderson County School District Finance Corporation to refund

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a 1990 and a 1991 issue. The Commission's portion of the refunding issue was \$649,033 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 3.350% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 and 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998 were issued for the Johnson County School District Finance Corporation to refund a May 1991 and an August 1991 issue. The Commission's portion of the refunding issue was \$2,664,225 maturing March 1, 1999 through March 1, 2011, and carrying interest rates from 3.400% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the McCracken County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$2,097,829 maturing May 1, 1999 through May 1, 2011, and carrying interest rates from 4.000% to 4.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the Perry County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$3,259,768 maturing July 1, 1999 through July 1, 2012, and carrying interest rate of 4.150%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the Pulaski County School District Finance Corporation to refund a 1986 and a 1992 issue. The Commission's portion of the refunding issue was \$1,859,863 maturing July 1, 1999 through July 1, 2012, and carrying interest rates from 4.000% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986, and 1992 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated December 1, 1998, were issued for the Trimble County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$527,610 maturing July 1, 1999 through July 1, 2005, and carrying interest rates from 3.300% to 3.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1999, were issued for the Covington Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$278,480 maturing May 1, 1999 through November 1, 2010, and carrying interest rates from 4.000% to 4.200%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1991 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1999, were issued for the Ohio County School District Finance Corporation to partially refund a 1993 and a 1994 issue. The Commission's portion of the refunding issue was \$853,937 maturing June 1, 1999 through June 1, 2014, and carrying interest rates from 3.500% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1993 and 1994 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated January 1, 1999, were issued for the Spencer County School District Finance Corporation to refund a 1988 and a 1990 issue. The Commission's portion of the refunding issue was \$2,719,364 maturing January 1, 2000 through January 1, 2019, and carrying interest rates from 4.400% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 and 1990 issues being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated February 1, 1999, were issued for the Monticello Independent School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$187,914 maturing April 1, 2000 through April 1, 2009, and carrying interest rates from 3.700% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1999, were issued for the Adair County School District Finance Corporation to partially refund a 1992 issue. The Commission's portion of the refunding issue was \$1,435,452 maturing March 1, 2000 through March 1, 2012, and carrying interest rates from 3.500% to 4.350%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1999, were issued for the Lawrence County School District Finance Corporation to refund a 1994 issue. The Commission's portion of the refunding issue was \$486,355 maturing November 1, 1999 through November 1, 2014, and carrying interest rates from 3.250% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1994 issue being refunded. There were no savings to the Commission for this issue.

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Revenue refunding bonds dated March 1, 1999, were issued for the Letcher County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$1,450,000 maturing May 1, 2000 through May 1, 2009, and carrying interest rates from 3.000% to 4.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated March 1, 1999, were issued for the Shelby County School District Finance Corporation to partially refund a 1991 issue. The Commission's portion of the refunding issue was \$2,230,187 maturing September 1, 1999 through September 1, 2011, and carrying interest rates from 4.000% to 4.375%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated April 1, 1999, were issued for the Hopkins County School District Finance Corporation to partially refund a 1992 issue. The Commission's portion of the refunding issue was \$1,608,352 maturing September 1, 1999 through September 1, 2012, and carrying interest rates from 4.000% to 4.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1992 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated April 1, 1999, were issued for the Todd County School District Finance Corporation to refund a 1994 issue. The Commission's portion of the refunding issue was \$180,248 maturing October 1, 1999 through October 1, 2014, and carrying interest rates from 4.100% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1994 issue being refunded. There were no savings to the Commission for this issue.

Revenue refunding bonds dated June 1, 1999, were issued for the Madison County School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$2,325,000 maturing November 1, 1999 through November 1, 2009, and carrying interest rates from 3.875% to 4.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. There were no savings to the Commission for this issue.

Component Units

The Northern Kentucky University issued \$12,295,000 Consolidated Educational Buildings Revenue Refunding Bonds, Series K dated May 1, 1999. The net proceeds of this issued were \$11,981,169.94 after discounts and cost of issuance of \$313,830.06. The net proceeds were placed in an escrow account to provide for all future debt service requirements on the Series F and G bonds being defeased. The University had an economic gain of \$56,671.17.

Kentucky Infrastructure Authority issued \$12,255,000 Governmental Agencies Program Revenue and Revenue Refunding Bonds, 1999 Series J. The net proceeds of this issue were \$12,072,704.71 after premium, discount and cost of issuance of \$172,305.29. \$4,162,033.83 of the proceeds were placed in an escrow account to advance refund 1999, Series G bonds. The remaining \$7,920,670.88 was used to fund new projects. The net savings (reduction in cash flow) for the Refunding Bonds will be \$722,387.91. The present value is \$569,142.96 at a rate of 6.2854%.

Kentucky Infrastructure Authority issued \$16,575,000 Infrastructure Revolving Fund Program Revenue Refunding Bonds, 1999 Series M. The net proceeds of this issue were \$16,342,368.07, discount and cost of issuance of \$232,631.93. The net proceeds were placed in an escrow account to advance refund 1991, Series C & E bonds; 1992, Series G bonds; and , 1995 Series J bonds. The net savings (reduction in cash flow) for the Refunding Bonds will be \$631,324. The present value is \$479,961 at a rate of 3.268%.

The Kentucky Housing Corporation issued \$26,375,000, 1998 Series G Housing Revenue Bonds on November 5, 1998. The proceeds were used to refund 1988 Series A and 1988 Series B Housing Revenue Bonds. The refunding resulted in an aggregate debit series payments reduction of \$3,379,549 and a net present value economic gain of \$2,787,487

Note 14

RELATED ORGANIZATIONS

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the State's financial statements. They are the East Kentucky Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

Note 15

LONG-TERM OBLIGATIONS

General Obligation Bonds are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 1999.

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Revenue Bonds - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring State appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such "municipal debt," whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational

facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide "debt service," principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of "State" debt and the "burden" of that debt on State resources. During the fiscal year ended June 30, 1999, the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

The Kentucky State Property and Buildings Commission is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of the Finance and Administration Cabinet, Secretary of the Revenue Cabinet, and Secretary of the Economic Development (formerly Commerce) Cabinet. The Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction and equipping of buildings for the occupancy and/or use of said agencies.

The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 1999, are as follows (Expressed in Thousands):

General Long-Term Obligations Account Group	Principal Outstanding	Interest Rate	Annual Maturity To
Agency: State Property & Buildings Commission	\$ 956,466	3.1%-7.65%	2018
Turnpike Auth. of Kentucky	1,222,217	4.46%-9.7%	2015
Total	<u>\$ 2,178,683</u>		

COMMONWEALTH OF KENTUCKY
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Future revenue bond debt service requirements, to be paid with State funds, at June 30, 1999, are as follows (Expressed in Thousands):

Year Ending June 30,	Principal	Interest	Totals
2000	\$ 169,545	\$ 119,644	\$ 289,189
2001	157,628	119,284	276,912
2002	161,649	106,825	268,474
2003	184,327	113,084	297,411
2004	179,658	118,624	298,282
Thereafter	1,325,876	432,406	1,758,282
	<u>\$ 2,178,683</u>	<u>\$ 1,009,867</u>	<u>\$ 3,188,550</u>

Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky School Facilities Construction Commission	\$ 591,486	1.0%-8.25%	2019
Kentucky Housing Corporation*	945,940	3.3%-8.1%	2031
Kentucky Infrastructure Authority*	185,035	3.0%-8.4%	2018
Kentucky Higher Education Student Loan Corporation	589,790	4.55%-9.25%	2029
Kentucky Local Correctional Facilities Construction Authority*	37,785	4.4%-5.5%	2014
University of Kentucky	199,731	3.0%-6.8%	2025
University of Louisville	161,039	3.6%-10.0%	2018
Eastern Kentucky University	53,120	3.0%-6.5%	2011
Western Kentucky University	49,725	2.6%-7.4%	2025
Murray State University	25,162	2.88%-6.2%	2019
Morehead State University	27,085	2.875%-7.15%	2014
Kentucky State University	18,765	3.0%-9.0%	2014
Northern Kentucky University	52,460	3.0%-7.8%	2021
Kentucky Community and Technical College System	89,330	3.0%-7.2%	2011
Total Component Unit Revenue Bonds Payable	<u>\$ 3,026,453</u>		

*Amounts include unamortized premiums, discounts, or deferred loss or early retirement of debt.

COMMONWEALTH OF KENTUCKY
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June 30, 1999

Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units, at June 30, 1999, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal	Interest	Totals
2000	\$ 165,512	\$ 154,857	\$ 320,369
2001	158,335	147,302	305,637
2002	172,217	138,677	310,894
2003	170,378	130,257	300,635
2004	159,297	121,645	280,942
Thereafter	2,200,714	1,226,191	3,426,905
	<u>\$ 3,026,453</u>	<u>\$ 1,918,929</u>	<u>\$ 4,945,382</u>

During the fiscal year ended June 30, 1999, the Commission issued \$56,990,000 in Revenue and Revenue Refunding Bonds as follows:

\$31,550,000, Project 62, dated March 1, 1999, a revenue refunding issue maturing serially each September 1, 1999 through 2014, at 3.10% to 5.00%; and

\$25,440,000, Project 63, dated May 1, 1999, a revenue issue with \$18,255,000 in serial bonds maturing each November 1, 1999 through 2014, at 4.00% to 5.00%, and \$7,185,000 in term bonds due November 1, 2018, at 5.10%.

The Turnpike Authority of Kentucky was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of Transportation, Commissioner of Highways, State Highway Engineer, and Secretary of Economic Development. The Secretary of the Finance and Administration Cabinet currently serves as the Authority's Treasurer.

The Authority issued no bonds during the fiscal year ended June 30, 1999.

State Universities - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

During the fiscal year ended June 30, 1999, state supported universities issued \$22,165,000 in revenue and refunding revenue bonds as follows:

\$6,370,000, Murray State University, Housing and Dining System Revenue Bonds, Series N, dated April 1, 1999, with \$5,460,000 in serial bonds maturing each September 1, 2000 through 2017, at 4.35% to 4.40%, and \$910,000 in term bonds due September 1, 2019, at 4.40%,

\$3,500,000, Northern Kentucky University, Consolidated Educational Buildings Revenue Bonds, Series J, dated May 1, 1999, with \$2,990,000 in serial bonds maturing each May 1, 2000 through 2017, at 4.125% to 4.75%, and \$510,000 in term bonds due May 1, 2019, at 4.75%, and

\$12,295,000, Northern Kentucky University, Consolidated Educational Buildings Refunding Revenue Bonds, Series K, dated May 1, 1999, due serially each May 1, 2000 through 2012, at 4.00% to 4.45%.

The Kentucky Housing Corporation, established in 1972 under KRS Chapter 198A, is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors comprised of the Secretary of the Finance and Administration Cabinet, Commissioner of the Department of Local Government, Secretary of the Revenue Cabinet, Attorney General, Secretary of the Economic Development Cabinet, Lieutenant Governor, and eight additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$2.125 billion total maximum principal value of debt outstanding.

During the fiscal year ended June 30, 1999, the Corporation issued \$221,735,000 in Housing Revenue Bonds and Notes as follows: See Notes Payable for disclosure of \$61,300,000 Housing Revenue Notes, 1999 Series G. The \$160,435,000 in bonds are as described immediately below:

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Four Series, dated October 1, 1998, with aggregate principal of \$105,435,000 are as follows:

\$8,205,000, 1998 Series D (AMT), a replacement refunding issue with \$835,000 in serial bonds maturing semiannually each January 1, 2000 through 2010, at 3.65% to 4.55%. Term bonds consist of \$1,040,000 due July 1, 2018, at 5.00%; and \$6,330,000 due July 1, 2038, at 5.125% and

\$6,290,000, 1998 Series E (NON-AMT), a placement refunding issue having term maturities of \$2,585,000 due July 1, 2017, at 4.75% and \$3,705,000 due July 1, 2030, at 5.00%

\$64,565,000, 1998 Series F (AMT), a replacement refunding issue with \$13,085,000 in serial bonds maturing each January 1, 2000 through 2010, at 3.65% to 4.55%. Term bonds consist of \$2,000,000 due January 1, 2018, at 5.00%; \$12,155,000 due July 1, 2018, at 5.00% and, \$37,325,000 due July 1, 2030, at 5.00%, and

\$26,375,000, 1998 Series G (TAXABLE), a refunding issue, all term bonds due July 1, 2019, at 5.55%.

Two series, dated on the date of delivery on or about April 28, 1999, with aggregate principal of \$55,000,000 are as follows:

\$13,300,000, 1999 Series A (NON-AMT), a replacement refunding issue, all term bonds with maturities of 2,420,000 due July 1, 2017, at 5.00% and \$10,880,000 due January 1, 2031, at 5.20%, and

\$41,700,000, 1999 Series B (AMT), a partial replacement refunding issue with \$13,100,000 in serial maturities each July 1, 2000 through 2012, at 3.30% to 4.95%. Term bonds consist of \$15,290,000 due July 1, 2022, at 5.20%; \$8,810,000 due January 1, 2028, at 5.25%; and \$4,500,000 due July 1, 2028, at 5.25%.

The Kentucky Infrastructure Authority was created by House Bill 217, during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies of the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

During the fiscal year ended June 30, 1999, the Authority issued \$28,830,000 in various program revenue and revenue refunding bonds, dated April 1, 1999, as follows:

\$12,255,000, Governmental Agencies Program Revenue and Revenue Refunding Bonds, 1999 Series J, with \$11,740,000 in serial maturities each August 1, 1999 through 2015, at 3.20% to 5.00%. \$515,000 in term bonds due August 1, 2018, at 5.00%, and

\$16,575,000, Infrastructure Revolving Fund Program Revenue Refunding Bonds, 1999 Series M with serial maturities each June 1, 1999 through 2014, at 3.20% to 4.875%.

The Kentucky Higher Education Student Loan Corporation is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public. The Corporation is limited to a maximum principal outstanding of \$553 million.

During the fiscal year ended June 30, 1999, the Corporation issued \$190,000,000, in Student Loan Revenue Bonds. These Bonds were issued as Auction Rate Certificates and bear interest as described in the in the respective Official Statements.

Two Senior Series, dated on the date of delivery expected to be on or about September 18, 1998, with aggregate principal of \$115,000,000 are as follows:

\$72,800,000, Senior Series 1998 A, due May 1, 2028, and consisting of \$36,400,000, Subseries 1998 A-1 and \$36,400,000, Subseries 1998 A-2, and

\$42,200,000, Senior Series 1998 B, also due May 1, 2028.

Two Senior Series, dated on the date of delivery expected to be on or about June 30, 1999, with aggregate principal of \$75,000,000 are as follows:

\$51,350,000, Senior Series 1999A, due May 1, 2029, and

\$23,650,000, Senior Series 1999B, also due May 1, 2029.

The Kentucky Local Correctional Facilities Construction Authority is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The Authority issued no bonds during the year ended June 30, 1999.

The Kentucky School Facilities Construction Commission was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 1999, the Commission sold one hundred seventeen (117) school building revenue and revenue refunding bond issues having aggregate state participation of \$160,198,478 maturing through June 1, 2019, at interest rates of 1.0% to 5.3%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 1999, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1999. Copies of this report are available from the Division of Accounts, Financial Reporting Branch, 483 Capitol Annex, Frankfort, Kentucky 40601.

The Kentucky Agricultural Finance Corporation is a public corporation and governmental agency of the Commonwealth established by Act of the 1984 General Assembly for the purpose of "improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." The Authority's bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority's debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general purpose financial statements. The Corporation issued no bonds during the year ended June 30, 1999.

The Kentucky Economic Development Finance Authority established in 1958 under KRS Chapter 154, is an independent agency of Commonwealth which operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no revenue bonds that constitute a legal obligation of the Commonwealth during the fiscal year ended June 30, 1999.

During this same reporting period, KEDFA is a party to \$561,605,000 in conduit debt which does not constitute a general debt, liability, or moral obligation of the Commonwealth. Accordingly, these general purpose financial statements do not include any assets or liabilities related to the issuance of this debt.

NOTES PAYABLE:

At June 30, 1999, the following entities had notes payable as follows:

The Kentucky Asset/Liability Commission, created by House Bill 5 enacted by the 1997 Extraordinary Session of the Kentucky General Assembly, develops policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and liabilities. It is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgements against the Commonwealth or any state agency.

\$338,400,000 is outstanding on Commission Notes as follows:

\$134,400,000 is outstanding on Project Notes, 1998 General Fund Series, authorized in a principal amount not to exceed \$157,000,000. At June 30, 1998, \$70,000,000 was outstanding and due to mature June 30, 2001, at initial interest of 3.65% to 3.70%. During the reporting period the Commission issued additional Series A Notes in the amounts of \$25,000,000, dated December 3, 1998, and \$43,900,000, dated May 11, 1999. \$4,500,000 in Series A Notes were redeemed March 3, 1999. \$22,600,000 remains authorized but unissued at June 30, 1999.

\$28,305,000 is outstanding on, Project Notes, 1998 Agency Fund Series, authorized in a principal amount not to exceed \$110,000,000. The initial issue of \$15,160,000 was dated September 2, 1998. Additional issues include \$10,100,000, dated September 17, 1998, and \$3,045,000, dated April 21, 1999. \$81,695,000 remains authorized but unissued at June 30, 1999.

\$126,500,000, Project Notes, 1998 General Fund Second Series A, dated November 5, 1998, are due November 1, 1999, at 3.50%. See related Subsequent Event disclosure of State Property and Buildings Commission to Revenue Bonds, Project 64.

\$49,195,000, Project Notes, 1999 General Fund First Series, dated March 1, 1999, and due serially each March 1, 2000 through 2006, at 3.50% to 4.125%.

The Kentucky Housing Corporation issued Housing Revenue Notes, 1999 Series C (AMT), dated the expected date of delivery on or about March 31, 1999, in the principal amount of \$61,300,000, due July 1, 2000, at 3.20%. The Corporation included a \$900,000 Housing Assistance Fund Line of Credit in total reported notes payable of \$62,200,000.

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The Kentucky Lottery Corporation borrowed \$6,787,000 in December 1996 to fund renovation of real estate purchased to be used as new corporate headquarters. Monthly interest payments include 6.66% annual interest. Principal payments began in October 1997 and are due in 60 monthly installments. Current principal outstanding on the Note is \$4,412,000.

The University of Kentucky reported \$1,891,510 in notes payable in three general areas. The university's Health Care Collection Services has \$59,000 that remains outstanding on two interest-free notes maturing in 2001. Kentucky Technology, Incorporated has a \$1.5 million note due 2004 at approximately 2.0% annual interest. Reference Note 6 to UK Research Foundation's audited financial statements. Health Associates of Kentucky has two notes with aggregate principal of \$331,966 due in annual principal installments through 2004. Total interest cost over that term is \$43,709. Reference Notes to the audited financial statements for the Albert B. Chandler Medical Center, University Hospital.

Northern Kentucky University reported \$2,052,000 in notes payable for various installment purchase contracts to acquire property and equipment, including \$116,000 during fiscal year 1999. NKU also participated in the amount of \$750,000 in a Kentucky Asset/Liability Commission note to acquire equipment associated with the Commonwealth Virtual University.

Murray State University reported notes payable of \$1,619,726 including \$255,345 for the Regional Special events center maturing in 2002 at 6.7%, a \$1,307,863 bank master lease agreement to finance the campus networking project which matures in 2004 at 4.23% to 4.35%, and \$56,518 in Murray State University Foundation notes with maturities to 2003 at 7.0% to 8.5% for various departmental operating expenditures.

Morehead State University reported \$3,250,000 in notes payable including a note to a company repayable in monthly installments of \$4,904, plus interest at prime (currently 8.5%), to December 2005. The University also reported participation in Kentucky Asset/Liability Commission Project Notes 1998 Agency Fund Series, in the amount of \$2,969,484 due in full July, 2000, at 3.74%.

Future debt service requirements for aggregate Notes Payable at June 30, 1999, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal	Interest	Totals
2000	\$ 360,503	\$ 10,108	\$ 370,611
2001	11,876	2,027	13,903
2002	8,741	1,649	10,390
2003	7,875	1,285	9,160
2004	9,163	974	10,137
Thereafter	15,667	975	16,642
	<u>\$ 413,825</u>	<u>\$ 17,018</u>	<u>\$ 430,843</u>

Changes in General Long-Term Obligations

Changes in general long-term obligations (Expressed in Thousands) for the fiscal year ended June 30, 1999, are summarized as follows:

	Compensated Absences	Capital Leases	Notes Payable	State Supported Revenue Bonds	Judgements & Contingent Liabilities	Unfunded Employer Pension Contributions	Totals
Balance at June 30, 1998, as restated	\$ 191,204	\$ 1,057	\$ 70,000	\$ 2,310,282	\$ 223,300	\$ 76,115	\$ 2,871,958
Obligations Incurred	149,604	1,638	272,900	56,990	75,548	1,549	558,229
Obligations Retired	(129,429)	(749)	(4,500)	(188,589)	(8,517)	(176)	(331,960)
Balance at June 30, 1999	<u>\$ 211,379</u>	<u>\$ 1,946</u>	<u>\$ 338,400</u>	<u>\$ 2,178,683</u>	<u>\$ 290,331</u>	<u>\$ 77,488</u>	<u>\$ 3,098,227</u>

COMMONWEALTH OF KENTUCKY
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Note 16

SEGMENT INFORMATION

Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 1999, is presented below (Expressed in Thousands):

**Primary Government
Enterprise Funds**

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals
	Recreation and Lodging	Lottery Operations	Light Industry	Equine Museum	Insurance	
Goods and Services Provided						
Operating Revenues	\$ 45,459	\$ 583,145	\$ (63)	\$ 4,290	\$ 213,028	\$ 845,859
Depreciation and Amortization Expense	4,022	2,839	29	491	243	7,624
Operating Income (Loss)	(28,093)	160,095	(916)	(3,704)	(96,377)	31,005
Income (Loss) Before Operating Transfers and Extraordinary Item	(28,090)	144,341	(914)	(3,704)	(91,859)	19,774
Operating Transfers:						
In	27,284		933	3,390	19,000	50,607
Out	(1,423)	(159,589)			(8,448)	(169,460)
Net Income (Loss)	(2,229)	(15,248)	19	(314)	(81,307)	(99,079)
Current Contributed Capital: Contributions	17,462			583		18,045
Fixed Assets:						
Additions	23,151			590	96	23,837
Deletions	319		55		35	409
Net Working Capital	6,877	19,322	449	546	(104,694)	(77,500)
Total Assets	180,001	427,514	900	16,004	549,398	1,173,817
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue and Operating Transfers-in	3,237	362,245		271	1,472,971	1,838,724
Total Equity	170,717	52,097	898	15,140	(1,101,714)	(862,862)

COMMONWEALTH OF KENTUCKY
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**CONDENSED STATEMENT
INFORMATION**

**Condensed Balance Sheet Information
for the Commonwealth's Discretely
Presented Component Units
(Expressed in Thousands)**

	Governmental		Proprietary Funds	
	Bluegrass State Skills Corporation	Kentucky School Facilities Construction Commission	Kentucky Housing Corporation	Kentucky Infrastructure Authority
<u>Assets</u>				
Current Assets	\$ 467	\$ 22,946	\$ 252,648	\$ 114,925
Property, Plant and Equipment (net)	24		6,150	
Other Assets		594,297	1,002,280	336,550
Total Assets	<u>\$ 491</u>	<u>\$ 617,243</u>	<u>\$ 1,261,078</u>	<u>\$ 451,475</u>
<u>Liabilities</u>				
Current Liabilities	\$ 638	\$ 1,054	\$ 124,167	\$ 12,978
Capital Lease Obligations				
Notes Payable				
Revenue Bonds		591,486	918,095	168,279
Amounts Held in Custody for Others				
Deposits and Advance Payments				
Deferred Revenue				
Other Liabilities				
Total Liabilities	<u>638</u>	<u>592,540</u>	<u>1,042,262</u>	<u>181,257</u>
<u>Fund Equity</u>				
Investment in Fixed Assets	24			
Contributed Capital				
Fund Balance:				
Reserved for:				
Encumbrances				
Capital Outlay				
Restricted Gifts, Grants and Contracts				
Unreserved:				
Designated for Universities and Colleges				
Undesignated	(171)	24,703		
Retained Earnings:				
Reserved for:				
Revenue Bond Retirement			180,582	
Unreserved			38,234	270,218
Total Fund Equity	<u>(147)</u>	<u>24,703</u>	<u>218,816</u>	<u>270,218</u>
Total Liabilities and Fund Equity	<u>\$ 491</u>	<u>\$ 617,243</u>	<u>\$ 1,261,078</u>	<u>\$ 451,475</u>

COMMONWEALTH OF KENTUCKY
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Others	Universities and College Funds			Totals
	University of Kentucky	University of Louisville	Others	
\$ 220,185	\$ 1,102,831	\$ 229,060	\$ 411,121	\$ 2,354,183
205,029	1,278,587	669,755	1,489,056	3,648,601
704,355	7,334	3,897	29,178	2,677,891
<u>\$ 1,129,569</u>	<u>\$ 2,388,752</u>	<u>\$ 902,712</u>	<u>\$ 1,929,355</u>	<u>\$ 8,680,675</u>
\$ 86,078	\$ 227,702	\$ 39,293	\$ 64,393	\$ 556,303
	28,792	2,177	20,801	51,770
	1,892		6,921	8,813
587,402	199,731	161,039	315,647	2,941,679
	556		3,014	3,570
	3,271	1,347	969	5,587
	14,641	21,866	13,073	49,580
1,735	57,882	1,207	8,240	69,064
<u>675,215</u>	<u>534,467</u>	<u>226,929</u>	<u>433,058</u>	<u>3,686,366</u>
139,538	1,026,642	506,874	1,138,062	2,671,602
				139,538
	3,192	8,250	5,542	16,984
	94,686	13,345	131,987	240,018
	609,807	72,245	183,398	865,450
	119,958	75,069	37,308	232,335
				24,532
143,625				324,207
171,191				479,643
454,354	1,854,285	675,783	1,496,297	4,994,309
<u>\$ 1,129,569</u>	<u>\$ 2,388,752</u>	<u>\$ 902,712</u>	<u>\$ 1,929,355</u>	<u>\$ 8,680,675</u>

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
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CONDENSED STATEMENT INFORMATION

Condensed Statement of Changes in Retained Earnings Discretely Presented Proprietary Funds
(Expressed in Thousands)

	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Others	Totals
Operating Revenues	\$ 79,812	\$ 15,757	\$ 116,521	\$ 212,090
Operating Expenses:				
Operating and Other Expenses	73,913	13,823	160,864	248,600
Depreciation & Amortization	1,637	307	11,165	13,109
Operating Income (Loss)	4,262	1,627	(55,508)	(49,619)
Nonoperating Revenues (Expenses)	7,213	24,339	21,977	53,529
Transfers:				
From Primary Government		11,211	59,205	70,416
From Component Units			3,393	3,393
To Primary Government			(383)	(383)
To Component Units			(3,393)	(3,393)
Net Income (Loss)	11,475	37,177	25,291	73,943
Depreciation on Fixed Assets				
Acquired by Capital Grants			5,937	5,937
Retained Earnings - July 1, 1998	207,341	233,041	283,588	723,970
Retained Earnings - June 30, 1999	\$ 218,816	\$ 270,218	\$ 314,816	\$ 803,850

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1999

Condensed Statement of Changes in Fund Balances
University and College Funds
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues and Other Additions	\$ 1,031,736	\$ 380,764	\$ 736,707	\$ 2,149,207
Total Expenditures and Other Deductions	1,140,763	467,801	1,018,133	2,626,697
Transfers from (to) Primary Government	317,733	158,716	434,894	911,343
Net Increase for Year	208,706	71,679	153,468	433,853
Fund Balance and Other Credits, Beginning, As Restated	1,645,579	604,104	1,342,829	3,592,512
Fund Balance and Other Credits, Ending	<u>\$ 1,854,285</u>	<u>\$ 675,783</u>	<u>\$ 1,496,297</u>	<u>\$ 4,026,365</u>

Condensed Statement of Current Funds Revenues, Expenditures and Other Changes
University and College Funds
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues	\$ 600,626	\$ 251,780	\$ 525,332	\$ 1,377,738
Expenditures:				
Education and General	549,011	332,812	824,293	1,706,116
Auxiliary Enterprises and Hospitals	289,566	49,748	65,431	404,745
Total Expenditures	838,577	382,560	889,724	2,110,861
Mandatory Transfers	21,781	14,661	40,468	76,910
Non-Mandatory Transfers	(1,412)	13,691	15,121	27,400
Total Expenditures and Transfers	858,946	410,912	945,313	2,215,171
Other Transfers	289,633	158,716	415,763	864,112
Other Additions (Deductions)	7,338	7,713	8,361	23,412
Net Increase (Decrease) in Fund Balance	<u>\$ 38,651</u>	<u>\$ 7,297</u>	<u>\$ 4,143</u>	<u>\$ 50,091</u>

Note 17

COMMITMENTS AND CONTINGENCIES

Litigation - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

Federal Grants - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth.

Leases - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Primary Government expenditures for rent under leases for the years ended June 30, 1999 and 1998, amounted to \$46.0 million and \$44.1 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense which would require adjustment to be in compliance with GASB Statement 13.

Sick Leave - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability for sick leave at June 30, 1999. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was \$292,197,926 and \$19,635,893 respectively.

Construction Projects - The Transportation Cabinet, at June 30, 1999, has contractual commitments of approximately \$734,121,409, for the construction of numerous highway projects. It is anticipated that these projects will be funded with approximately 41% State

funds, 44% Federal funds, and the remaining 15% with proceeds from the sale of revenue bonds.

Note 18

SUBSEQUENT EVENTS

The debt issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 1999, and prior to December 30, 1999, and reported other subsequent events for the same period, as described below.

The State Property and Buildings Commission issued \$125,455,000, Project 64, a revenue issue with serial maturities each May 1, 2000 through 2018, at 4.20% to 5.75%. The proceeds of the Bonds will be used to refund Kentucky Asset/Liability Commission Project Notes, 1998 General Fund Second Series A. See related reference in Notes Payable Section, Note 15.

The Kentucky Asset/Liability Commission authorized or issued \$1,015,000,000 in various Notes as follows:

\$401,000,000 aggregate principal in General Fund Tax and Revenue Anticipation Notes, including:

\$300,000,000, 1999 Series A, dated July 1, 1999, were issued. The proceeds will be used to discharge expenditure demands on the General Fund of the Commonwealth for the fiscal year ending June 30, 2000, in anticipation of taxes and revenues to be collected during Fiscal Year 2000 and to pay the costs of issuance of the 1999 Series A Notes. The Notes are due June 28, 2000, at 4.25%

\$101,000,000, 1999 Series B, November 1, 1999. The proceeds will be used for the same general purpose as shown for the 1999 Series A above, plus pay the costs of issuance for the 1999 Series B Notes. The Notes are due June 28, 2000, at 4.5%

\$408,000,000 aggregate principal in Project Notes, 1999 General Fund Series were authorized by Resolution of the Commission as follows:

\$135,000,000, Second Series A, authorized July 16, 1999. Current principal outstanding is \$20,280,000. The proceeds provide interim financing for certain Projects in anticipation of the issuance of Bonds by the State Property and Buildings Commission. The Notes may bear interest at the Commercial Paper Rate, the Daily Rate, the Weekly Rate, or the Fixed Rate as more fully described in the Official Statement, but in no event shall the interest rate on the Notes exceed the Maximum Interest Rate of 12%. The final maturity of any Notes issued pursuant to the Indenture cannot extend beyond June 30, 2003.

\$138,000,000, Third Series A, authorized July 16, 1999. \$20,280,000 principal is also outstanding on these Notes. The use of proceeds,

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1999

interest rate modes and final maturity for any Notes issued under this indenture are the same as described for the Second Series A immediately above.

\$135,000,000, Fourth Series A, authorized September 24, 1999. Current principal outstanding is \$20,000,000. The use of proceeds, maximum interest rates and final maturity are the same as the Second Series A Notes. The Fourth Series A Notes have an additional interest rate mode referred to as the index rate.

\$206,000,000 aggregate principal in Project Notes, 1999 Road Fund Series were authorized by Resolution of the Commission, dated September 24, 1999, as follows:

\$78,000,000, First Series has current principal outstanding of \$75,200,000. The proceeds provide interim financing for certain additions and improvements to the Kentucky Economic Development Road System (Revitalization Projects) in anticipation of the issuance of bonds by The Turnpike Authority of Kentucky. Interest rate modes, maximum interest rate and final maturity of any Notes issued are the same as described for Project Notes, 1999 General Fund, Second Series A.

\$128,000,000, Second Series has current principal outstanding of \$25,000,000. The use of proceeds, interest rate modes and final maturity of any Notes issued are the same as described for the First Series immediately above.

On September 1, 1999, the Commission refunded \$4,810,000 1998 Agency Fund Series A Notes, issued September 17, 1998, with a like amount of Taxable 1998 Agency Fund Series C Notes. This current refunding does not increase aggregate principal amount outstanding on the 1998 Agency Fund Notes.

The Kentucky Housing Corporation, issued Housing Revenue Bonds in the aggregate principal amount of \$130,000,000 to refund certain outstanding obligations of the Corporation and to purchase qualified mortgage loans as described below:

\$40,000,000 dated July 1, 1999, or the expected delivery date on or about August 19, 1999, as follows:

\$3,035,000, Series D (NON-AMT), term bond due July 1, 2017, at 5.375%;

\$17,965,000, Series E (AMT), with term maturities of \$6,635,000 due July 1, 2019, at 5.50%, \$6,830,000 due July 1, 2027, at 5.70%, and \$4,500,000 due January 1, 2028 at 5.70%; and

\$19,000,000, Series F (TAXABLE), term bond due July 1, 2031, at 5.68%, Initial Interest Rate.

\$90,000,000 dated September 15, 1999, or the expected delivery date on October 28, 1999, as follows:

\$3,425,000, Series G (NON-AMT), term bond due January 1, 2015, at 5.50%;

\$65,485,000, Series H (AMT) with term maturities of \$17,825,000 due July 1, 2020, at 5.85%, \$22,830,000 due January 1, 2026, at 6.05%, \$15,260,000 due January 1, 2030, at 6.08%, and \$9,570,000 due July 1, 2030, at 6.08%; and

\$21,090,000, Series I (TAXABLE), term bond due July 1, 2013, at 5.82%, Initial Interest Rate.

Also, on July 1, 1999, August 1, 1999 and September 1, 1999 the Corporation borrowed \$14,117,000, \$14,000 and \$154,000 respectively, from a line of credit. The proceeds of the borrowings are invested in short-term federal agency obligations. The purpose of borrowings is to preserve tax-exempt bond issuance capacity.

On August 19, 1999 and October 28, 1999 a portion of the proceeds from the D/E/F and G/H/I Housing Revenue Bonds described above, in the amounts of \$15,015,000 and \$165,000, respectively were used to reduce borrowings on the line of credit.

The Western Kentucky University Board of Regents, in July 1999, approved a divestiture plan for the University's residence halls. This plan involves the formation of the WKU Student Residential Life Foundation, Inc., a separate, nonprofit corporation. As part of this plan during fiscal year 1999-2000, the University will convey ownership of its residence halls and related real estate to the WKU Student Residential Life Foundation, Inc. in exchange for the assumption of all (approximately \$21,000,000) of the University's outstanding Housing and Dining Bonds. After the transfer, the WKU Student Residential Life Foundation, Inc. will own and operate the residence halls, including performing any necessary maintenance, renovation or replacement. It is anticipated that the WKU Student Residential Life Foundation, Inc. will not be a component unit of the University and, accordingly, will not be included in the University's financial statements.

Also in July 1999, the WKU board of Regents approved the establishment of a research foundation. The research foundation will be a conduit organization through which certain research and development grants and awards will flow to allow for greater flexibility on behalf of university faculty members. The research foundation will adhere to all University policies and procedures, and all research foundation employees will be university employees. The University anticipates that the research foundation will be a component unit of the University included in the University's financial statements using the blended method.

COMMONWEALTH OF KENTUCKY
Notes to Combined Financial Statements
June 30, 1999

The Kentucky Educational Savings Plan Trust is an educational savings program administered by the Kentucky Higher Education Assistance Authority. The Authority has contracted with TIAA-REF Tuition Financing, Inc. to administer the Trust effective October 18, 1999.

Kentucky School Facilities Construction Commission administers State participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 1999, and maturing as to principal through 2018 as follows:

School District	Sale Date	Principal at Issue	State Share	Interest Rate
Taylor County	07/07/99	\$ 2,235,000	\$ 716,238	4.25-5.25%
Lewis County	07/08/99	1,120,000	1,120,000	4.10-5.55%
Jessamine County	07/22/99	7,700,000	1,913,828	4.75-4.85%
Edmonson County	08/11/99	4,560,000	1,309,522	4.00-5.20%
Gallatin County	08/12/99	2,180,000	1,448,620	4.00-5.25%
Metcalf County	08/13/99	128,000	128,000	4.60-5.60%
Paris Independent	08/13/99	27,000	27,000	4.60-5.60%
Williamsburg Independent	08/13/99	200,000	200,000	4.60-5.60%
Harlan Independent	09/01/99	2,240,000	891,299	3.7-5.375%
Boyd County	09/08/99	2,080,000	2,080,000	4.00-5.25%
Williamstown Independent	09/11/99	1,193,000	566,638	4.40-5.70%
Campbell County	09/13/99	370,000	370,000	4.20-5.65%
Dawson Springs Ind.	09/13/99	130,000	130,000	4.20-5.65%
Harlan County	09/13/99	768,000	757,768	4.20-5.65%
Raceland-Worthington Ind.	09/13/99	379,000	379,000	4.20-5.65%
Pikeville Independent	09/22/99	1,270,000	684,624	4.50-5.40%
Boone County	09/23/99	10,160,000	2,853,703	4.00-5.50%
Fayette County	09/28/99	27,330,000	1,325,944	5.00-5.50%
Marion County	10/14/99	2,655,000	1,226,810	4.00-5.50%
Fairview Independent	11/16/99	3,035,000	1,024,054	4.20-5.375%
Fleming County	12/01/99	3,355,000	1,049,376	4.20-5.50%
Lincoln County	12/14/99	3,925,000	2,546,228	NIC 5.36787%
Lewis County	12/15/99	3,075,000	169,919	4.50-5.50%
Henderson County	12/16/99	4,335,000	4,335,000	NIC 5.4955%
Pike County	12/22/99	6,565,000	2,670,000	4.50-5.80%
		<u>\$ 91,015,000</u>	<u>\$ 29,923,571</u>	

Audited financial statements for component units may be requested at the following addresses:

Bluegrass State Skills Corporation
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Kentucky Economic Development Finance Authority
Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601

Kentucky Turnpike Authority
Room 267, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation
10180 Linn Station Road
P.O. Box 24266
Louisville, Kentucky 40224-0266

Kentucky Center for the Arts
5 Riverfront Plaza
Louisville, Kentucky 40202-2989

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, Kentucky 40601

Audited financial statements for component units may be requested at the following addresses:

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601

University of Louisville
Belknap Campus
Controller's Office
Louisville, Kentucky 40292

Western Kentucky University
Vice President for Finance and Administration
1 Big Red Way
Bowling Green, Kentucky 42101-3576

Murray State University
Financial Management and Planning
Murray, Kentucky 42071

Kentucky State University
Office of Administrative Affairs
East Main Street
Frankfort, Kentucky 40601

Kentucky Lottery Corporation
1011 West Main Street
Louisville, Kentucky 40202-2623

Kentucky State Fair Board
Kentucky Fair and Exposition Center
P.O. Box 37130
Louisville, Kentucky 40233-7130

Kentucky Educational Television
600 Cooper Drive
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601
Kentucky Educational Savings Plan Trust
1050 U.S. 127 South, Suite 102
Frankfort, Kentucky 40601

Kentucky Infrastructure Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority
Suite 261, Capitol Annex Building
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System
P.O. Box 791
Frankfort, Kentucky 40602

University of Kentucky
General Accounting
371 Peterson Service Building
Lexington, Kentucky 40506-0005

Eastern Kentucky University
Vice President for Business Affairs
521 Lancaster Avenue
Richmond, Kentucky 40475-3101

Morehead State University
Office of Accounting and Budgetary Control
202 Howell-McDowell Administration Building
Morehead, Kentucky 40351-1689

Northern Kentucky University
Office of Business Affairs
Lucas Administration Center 726
Nunn Drive
Highland Heights, Kentucky 41099-8101

Kentucky Community Technical College System
PO Box 14092
2760 Research Park Dr.
Convention Building
Lexington, Kentucky 40512-4092

Year 2000 Disclosures - The Commonwealth is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year.

The Commonwealth began its year 2000 compliance process in 1994 with an awareness campaign directed at the agencies. This was followed by a detailed inventory of the mainframe legacy systems. These systems were assessed for compliance and plans for remediation were developed. A software tool that would significantly reduce the time needed to become compliant was purchased, and the remediation process began in early 1996.

In early 1997, an inventory and compliance assessment was begun for internal systems, external systems, infrastructure components, and business facilities. Priorities were established and the most mission critical systems were determined to reside within the mainframe legacy systems. Plans were developed that would bring these systems and components into compliance.

All systems or components, which were identified as mission critical, are in the phase of remediation, testing or have been completed. As of June 30, 1999, remediation and testing has been completed for 97 percent of mission critical applications.

In an effort to show due diligence, the Commonwealth has contracted with outside consultants to test mission critical systems that have already been remediated. One contract will include code evaluation to indicate missed code or irregular date code routines. Other contracts will include third party independent validation and verification of systems. This will include a thorough test using existing or developed data to prove the systems are accurate and will process into and through the new millennium. All state agencies with mission critical applications are required to have a Business Continuity Plan (BCW) to activate should significant adverse events occur.

The majority of funding for year 2000 was provided for in agency operating budgets. In addition the legislature appropriated \$6.7 million in contingency funding for year 2000 conversion. As of June 30, 1999, only \$2.1 million of the contingency funding had been used.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. While the Commonwealth is taking what it believes, is the appropriate action to address year 2000 issues, there can be no guarantee that all systems and equipment will be compliant and that there will be no adverse impact on state operations or finances. Since year 2000 compliance by outside parties is beyond the states control to remediate, the failure of outside parties to achieve compliance could have an adverse impact on the states operations and finances as well. If significant problems occur that would impact the states operations, the Business Continuity Plan would be activated.

COMMONWEALTH OF KENTUCKY
Required Supplemental Information
June 30, 1999

The Commonwealth designated 95 major systems that needed to be addressed for year 2000 purposes. Of those systems, based on assessments performed by and on behalf of the Commonwealth, 61 systems are considered year 2000 ready. The most critical of the remaining 34 systems are grouped in the following table which reveals the progress toward remediation by each stage.

C=Complete

A=Needs to be Addressed

P=In Process

	Awareness	Assessment	Remediation	Validation/Testing	Funding Budgeted
Sales and Use Tax	C	C	C	C	Yes
Business Tax	C	C	C	C	Yes
Receivables and Compliance	C	C	C	C	Yes
Revenue Collections	C	C	C	C	Yes
Domestic Violence	C	C	C	C	Yes
Law Information	C	C	C	C	Yes
Transportation Licensing & Taxation	C	C	C	C	Yes
Financial Systems	C	C	C	C	Yes
Workers Comp. Claims	C	C	C	C	Yes
UI Employer Accts	C	C	C	C	Yes
Payroll and Personnel	C	C	C	C	Yes
Welfare Systems	C	C	P	P	Yes
Medicaid Management (External System)	C	C	C	P	Yes
Local Health (External System)	C	C	C	P	Federal Funds

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP SCHEDULES AND STATEMENTS

GENERAL FUND

The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
GENERAL FUND
JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
<u>ASSETS</u>	
CASH AND CASH EQUIVALENTS	\$ 58,178
INVESTMENTS, NET OF AMORTIZATION	254,738
RECEIVABLES, NET	514,569
INTERFUND RECEIVABLES	339,137
INVENTORIES	12,451
TOTAL ASSETS	<u>\$ 1,179,073</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 242,214
TAX REFUNDS PAYABLE	171,349
INTERFUND PAYABLES	209,891
DEFERRED REVENUE	68,065
TOTAL LIABILITIES	<u>691,519</u>
FUND BALANCE:	
RESERVED FOR:	
STATUTORY OBLIGATIONS	127,714
BUDGET STABILIZATION	230,533
INVENTORIES	12,449
UNRESERVED:	
UNDESIGNATED	116,858
TOTAL FUND BALANCE	<u>487,554</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,179,073</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
REVENUES:	
TAXES	\$ 5,934,936
LICENSES, FEES, AND PERMITS	22,394
INTERGOVERNMENTAL	4,620
CHARGES FOR SERVICES	4,608
FINES AND FORFEITS	48,139
INTEREST AND OTHER INVESTMENT INCOME	43,955
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	13,038
OTHER REVENUES	<u>5,050</u>
TOTAL REVENUES	<u>6,076,740</u>
EXPENDITURES:	
GENERAL GOVERNMENT	324,884
LEGISLATIVE AND JUDICIAL	178,564
COMMERCE	18,694
EDUCATION AND HUMANITIES	2,662,301
HUMAN RESOURCES	1,257,307
JUSTICE	375,300
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	56,821
PUBLIC PROTECTION AND REGULATION	44,046
TRANSPORTATION	<u>6,491</u>
TOTAL EXPENDITURES	<u>4,924,408</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,152,332</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	185,551
OPERATING TRANSFERS OUT	(759,355)
TRANSFERS TO COMPONENT UNITS	(910,373)
CAPITALIZED LEASES	<u>688</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,483,489)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(331,157)
FUND BALANCE AT JULY 1, AS RESTATED	817,943
INCREASE (DECREASE) IN INVENTORIES	768
FUND BALANCE AT JUNE 30	<u><u>\$ 487,554</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$ 5,922,581	\$ 5,911,779	\$ (10,802)
LICENSES, FEES, AND PERMITS	23,566	22,394	(1,172)
INTERGOVERNMENTAL	4,712	4,619	(93)
CHARGES FOR SERVICES	2,509	4,412	1,903
FINES AND FORFEITS	45,857	48,146	2,289
INTEREST AND OTHER INVESTMENT INCOME	48,634	43,902	(4,732)
LOTTERY PROCEEDS	153,800	153,800	
OTHER REVENUES	15,697	3,023	(12,674)
TRANSFERS IN	14,850	14,802	(48)
TOTAL BUDGETED REVENUES	6,232,206	6,206,877	(25,329)
NON-BUDGETED:			
OTHER REVENUES		1	1
ESCHEAT REVENUE		6,311	6,311
TRANSFERS IN (INTERFUND)		16,949	16,949
TOTAL NON-BUDGETED REVENUES		23,261	23,261
TOTAL REVENUES	6,232,206	6,230,138	(2,068)
EXPENDITURES:			
GENERAL GOVERNMENT:			
GOVERNOR'S OFFICE	9,208	8,540	668
KENTUCKY VETERANS CENTER	5,618	5,533	85
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	2,821	2,418	403
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT - PLANNING FUND	317	317	
UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH ATTORNEYS	19,117	18,875	242
UNIFIED PROSECUTORIAL SYSTEM - COUNTY ATTORNEYS	17,509	17,356	153
DEPARTMENT OF AGRICULTURE	24,118	20,231	3,887
OFFICE OF THE ATTORNEY GENERAL	12,236	*	12,236
AUDITOR OF PUBLIC ACCOUNTS	5,516	5,516	
REGISTRY OF ELECTION FINANCE	2,369	1,267	1,102
MILITARY AFFAIRS - GENERAL OPERATIONS	8,448	8,390	58
MILITARY AFFAIRS - DISASTER AND EMERGENCY SERVICES	9,508	7,740	1,768
LOCAL GOVERNMENT - VARIOUS AREA DEVELOPMENT DISTRICTS	10,753	10,753	
LOCAL GOVERNMENT - ECONOMIC ASSISTANCE FUND	42,033	28,883	13,150
LOCAL GOVERNMENT - ECONOMIC DEVELOPMENT FUND	29,586	26,083	3,503
LOCAL GOVERNMENT - AREA DEVELOPMENT FUND	1,000	1,000	
SECRETARY OF STATE - GENERAL OPERATIONS	2,254	2,144	110
DEPARTMENT OF THE TREASURY	2,229	2,163	66
BOARD OF ELECTIONS	4,195	3,332	863
PERSONNEL BOARD	526	508	18
SCHOOL FACILITIES CONSTRUCTION COMMISSION	62,362	60,206	2,156
EXECUTIVE BRANCH ETHICS COMMISSION	271	251	20
COMMISSION ON HUMAN RIGHTS	1,905	1,878	27
COMMISSION ON WOMEN	261	259	2
COUNCIL ON POSTSECONDARY EDUCATION	164,951	164,912	39

	Budget	Actual	Variance
PERSONNEL CABINET: OFFICE OF THE SECRETARY	959	959	
DEPARTMENT FOR EMPLOYEE RELATIONS	455	455	
DEPARTMENT FOR PERSONNEL ADMINISTRATION	1,895	1,895	
EASTERN KENTUCKY UNIVERSITY	63,826	63,792	34
KENTUCKY STATE UNIVERSITY	20,364	20,364	
MOREHEAD STATE UNIVERSITY	36,690	36,643	47
MURRAY STATE UNIVERSITY	45,694	45,694	
NORTHERN KENTUCKY UNIVERSITY	33,903	33,903	
UNIVERSITY OF KENTUCKY	286,707	286,484	223
UNIVERSITY OF LOUISVILLE	158,097	157,926	171
WESTERN KENTUCKY UNIVERSITY	58,072	58,072	
KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM	157,214	157,163	51
REVENUE: OFFICE OF THE SECRETARY	20,383	20,383	
DEPARTMENT OF TAX ADMINISTRATION	21,883	21,883	
DEPARTMENT OF INFORMATION TECHNOLOGY	2,659	2,659	
DEPARTMENT OF PROPERTY VALUATION	4,336	4,336	
DEPARTMENT OF LAW	8,887	8,887	
OFFICE OF PROPERTY VALUATION ADMINISTRATORS			
ACCOUNTING	21,902	21,884	18
FINANCE AND ADMINISTRATION - OFFICE OF THE SECRETARY	152,118	146,806	5,312
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY	32,036	31,864	172
DEPARTMENT FOR ADMINISTRATION	3,852	3,837	15
FACILITIES MANAGEMENT - 1997 FLOOD HOUSING DISASTER AID	401	401	
DEPARTMENT FOR FACILITIES MANAGEMENT	8,087	8,085	2
SPECIAL ACCOUNTS - CAPITAL CONSTRUCTION	36,263	36,263	
COUNTY COSTS	16,186	16,167	19
ACCESS TO JUSTICE			
STATEWIDE INFRASTRUCTURE FUND	107,730	107,730	
STATE TECHNOLOGY PROJECTS FUND	58,164	58,164	
APPROPRIATIONS NOT OTHERWISE CLASSIFIED:			
BOARD OF CLAIMS AWARDS	350	341	9
GUARDIAN AD LITEM	2,000	2,000	
COURT ORDERED TAX REFUNDS	98,451	29,867	68,584
PRIOR YEAR CLAIMS	400	35	365
UNREDEEMED CHECKS REFUNDED	500	328	172
INVOLUNTARY COMMITMENTS	60	33	27
FRANKFORT IN LIEU OF TAXES	195	195	
FRANKFORT CEMETERY	3	3	
POLICE AND FIREMEN LIFE INSURANCE	300	250	50
MASTER COMMISSIONER EMPLOYERS RETIREMENT	260	55	205
MASTER COMMISSIONER SOCIAL SECURITY	161	161	
WORKERS' COMPENSATION	275	257	18
ATTORNEY GENERAL EXPENSE	150		150
MEDICAL MALPRACTICE LIABILITY INSURANCE REIMBURSEMENTS	60	15	45
TOTAL GENERAL GOVERNMENT	1,901,039	1,797,030	104,009
LEGISLATIVE AND JUDICIAL:			
GENERAL ASSEMBLY:			
REGULAR SESSIONS	18,741	7,495	11,246
KENTUCKY LEGISLATIVE ETHICS COMMISSION	539	446	93
LONG TERM POLICY RESEARCH CENTER	599	472	127

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Budget	Actual	Variance
LEGISLATIVE RESEARCH COMMISSION:			
ADMINISTRATIVE	26,429	23,229	3,200
EDUCATIONAL PLANNING COMMISSION	200		200
JUDICIAL RETIREMENT SYSTEM	6,408	6,407	1
COURT OF JUSTICE - CASE MANAGEMENT SYSTEM	500	500	
COURT OF JUSTICE - OPERATION AND ADMINISTRATION	119,054	118,593	461
COURT OF JUSTICE - LOCAL FACILITY SUPPORT	32,984	27,613	5,371
TOTAL LEGISLATIVE AND JUDICIAL	205,454	184,755	20,699
COMMERCE:			
ECONOMIC DEVELOPMENT:			
OFFICE OF THE SECRETARY	3,483	3,345	138
ADMINISTRATION AND SUPPORT	1,899	1,899	
JOB DEVELOPMENT	2,333	2,141	192
FINANCIAL INCENTIVES	12,521	3,306	9,215
COMMUNITY DEVELOPMENT	3,033	2,794	239
TOURISM - OFFICE OF THE SECRETARY	1,283	1,271	12
BREAKS INTERSTATE PARK	200	200	
DEPARTMENT OF TRAVEL DEVELOPMENT	7,007	6,788	219
KENTUCKY STATE FAIR BOARD	407	407	
KENTUCKY HORSE PARK	1,631	1,627	4
DEPARTMENT OF PARKS	27,277	27,222	55
TOTAL COMMERCE	61,074	51,000	10,074
EDUCATION AND HUMANITIES:			
OFFICE OF THE SECRETARY	2,544	2,544	
COMMISSION ON DEAF AND HARD OF HEARING	775	775	
ENVIRONMENTAL EDUCATION COUNCIL	53	49	4
KENTUCKY HERITAGE COUNCIL	880	880	
KENTUCKY ARTS COUNCIL	4,096	4,096	
EDUCATION:			
SUPPORT EDUCATION EXCELLENCE IN KY (SEEK)	2,113,655	2,107,883	5,772
EXECUTIVE POLICY AND MANAGEMENT	2,657	2,657	
MANAGEMENT SUPPORT SERVICES	353,636	352,356	1,280
LEARNING RESULTS SERVICES	15,924	15,924	
LEARNING SUPPORT SERVICES	143,202	143,002	200
KENTUCKY EDUCATION TELEVISION	14,393	14,393	
KENTUCKY HISTORICAL SOCIETY	5,334	5,334	
KENTUCKY CENTER FOR THE ARTS	625	624	1
LIBRARIES AND ARCHIVES - DIRECT LOCAL AID	6,568	6,566	2
LIBRARIES AND ARCHIVES - GENERAL OPERATIONS	6,435	6,407	28
TEACHERS' RETIREMENT SYSTEM	68,357	68,357	
WORKFORCE DEVELOPMENT - OFFICE OF THE SECRETARY:			
GENERAL ADMINISTRATION AND PROGRAM SUPPORT	2,502	2,502	
TEACHER RETIREMENT EMPLOYER CONTRIBUTION MATCH	4,314	4,314	
WORKFORCE DEVELOPMENT:			
DEPARTMENT FOR THE BLIND	2,055	2,055	
DEPARTMENT OF EMPLOYMENT SERVICES	582	582	
BOARD FOR ADULT AND TECHNICAL EDUCATION	30	30	
DEPARTMENT FOR TECHNICAL EDUCATION	19,245	19,245	
DEPARTMENT FOR ADULT EDUCATION & LITERACY	13,399	11,537	1,862
VOCATIONAL REHABILITATION	9,621	9,621	
TOTAL EDUCATION AND HUMANITIES	2,790,882	2,781,733	9,149
HUMAN RESOURCES:			
CABINET FOR FAMILIES AND CHILDREN:			
ADMINISTRATIVE SERVICES	26,292	26,292	
OFFICE OF AGING SERVICES	15,185	15,182	3
COMMUNITY BASED SERVICES	257,388	245,359	12,029
OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES CENTERS	40,633	40,633	

	Budget	Actual	Variance
CABINET FOR HEALTH SERVICES			
ADMINISTRATIVE SUPPORT	22,417	22,417	
DEPARTMENT OF PUBLIC HEALTH	55,277	54,980	297
DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION	150,833	150,833	
DEPARTMENT FOR MEDICAID SERVICES	23,183	23,183	
MEDICAID SERVICES BENEFITS	612,996	612,996	
OFFICE OF CERTIFICATE OF NEED	128	128	
COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS	3,818	3,818	
OFFICE OF AGING SERVICES	8,059	8,059	
TOTAL HUMAN RESOURCES	1,216,209	1,203,880	12,329
JUSTICE:			
JUSTICE - ADMINISTRATION	6,376	6,376	
DEPARTMENT OF STATE POLICE	63,724	63,724	
DEPARTMENT OF JUVENILE JUSTICE	56,596	56,596	
DEPARTMENT OF CRIMINAL JUSTICE TRAINING	35	35	
DEPARTMENT OF CORRECTIONS:			
MANAGEMENT	6,842	6,842	
ADULT INSTITUTIONS	167,353	166,290	1,063
LOCAL JAIL ALLOTMENT	14,952	14,319	633
COMMUNITY SERVICES AND LOCAL FACILITIES	63,940	63,128	812
TOTAL JUSTICE	379,818	377,310	2,508
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:			
OFFICE OF THE SECRETARY	8,744	8,744	
KENTUCKY RIVER AUTHORITY	359	359	
ENVIRONMENTAL QUALITY COMMISSION	251	251	
KENTUCKY NATURE PRESERVES COMMISSION	840	840	
DEPARTMENT FOR ENVIRONMENTAL PROTECTION	21,677	21,677	
DEPARTMENT FOR NATURAL RESOURCES	14,666	14,666	
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT	10,416	10,416	
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	56,953	56,953	
PUBLIC PROTECTION AND REGULATION:			
OFFICE OF THE SECRETARY			
BOARD OF CLAIMS/CRIME VICTIMS COMPENSATION BOARD	400	365	35
BOARD OF TAX APPEALS	410	397	13
KENTUCKY RACING COMMISSION	1,419	1,419	
PUBLIC SERVICE COMMISSION	9,776	7,733	2,043
DEPARTMENT FOR PUBLIC ADVOCACY	16,637	16,637	
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	2,527	1,582	945
DEPARTMENT OF HOUSING, BUILDING, AND CONSTRUCTION	3,480	3,480	
DEPARTMENT FOR MINES AND MINERALS	10,380	10,380	
LABOR - OFFICE OF THE SECRETARY	518	486	32
DEPARTMENT OF WORKPLACE STANDARDS	1,781	1,702	79
WORKERS COMPENSATION FUNDING COMMISSION	19,000	19,000	
TOTAL PUBLIC PROTECTION AND REGULATION	66,328	63,181	3,147

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TRANSPORTATION:			
AIR	4,808	2,498	2,310
RAIL	70	65	5
PUBLIC	<u>5,462</u>	<u>3,740</u>	<u>1,722</u>
TOTAL TRANSPORTATION	<u>10,340</u>	<u>6,303</u>	<u>4,037</u>
TOTAL EXPENDITURES	<u>6,688,097</u>	<u>6,522,145</u>	<u>165,952</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(455,891)	(292,007)	163,884
FUND BALANCE AT JULY 1	731,323	731,323	
NON-BUDGETED ITEMS	<u>(16,876)</u>	<u>(16,876)</u>	<u>(16,876)</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 275,432</u></u>	<u><u>\$ 422,440</u></u>	<u><u>\$ 147,008</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES BY SOURCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
REVENUES BY SOURCE	
TAXES:	
SALES AND GROSS RECEIPTS	\$ 2,275,039
INCOME:	
INDIVIDUAL	2,538,948
CORPORATIONS	312,579
PROPERTY	424,471
COAL SEVERANCE	173,094
LICENSES AND PRIVILEGES	128,190
INHERITANCE AND ESTATE	79,168
MISCELLANEOUS	<u>3,447</u>
TOTAL TAXES	5,934,936
LICENSES, FEES, AND PERMITS	22,394
INTERGOVERNMENTAL	4,620
CHARGES FOR SERVICES	4,608
FINES AND FORFEITS	48,139
INTEREST AND OTHER INVESTMENT INCOME	43,955
INCREASE(DECREASE) IN FAIR MARKET VALUE	13,038
OTHER REVENUES	<u>5,050</u>
TOTAL REVENUES BY SOURCE	<u><u>\$ 6,076,740</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed In Thousands)

	<u>June 30, 1999</u>
GENERAL GOVERNMENT:	
CABINET FOR GENERAL GOVERNMENT:	
PERSONAL SERVICES	\$ 93,778
UTILITIES, RENTALS, AND OTHER SERVICES	9,614
COMMODITIES AND SUPPLIES	7,261
GRANTS AND SUBSIDIES	57,064
CAPITAL OUTLAY	400
TRAVEL	1,917
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>(139)</u>
TOTAL CABINET FOR GENERAL GOVERNMENT	<u>169,895</u>
FINANCE AND ADMINISTRATION CABINET:	
PERSONAL SERVICES	18,670
UTILITIES, RENTALS, AND OTHER SERVICES	2,400
COMMODITIES AND SUPPLIES	17,218
GRANTS AND SUBSIDIES	1,255
CAPITAL OUTLAY	506
TRAVEL	220
JUDGEMENTS AND CONTINGENT LIABILITIES	6,757
REISSUE UNREDEEMED TREASURY CHECKS	<u>10,208</u>
TOTAL FINANCE AND ADMINISTRATION CABINET	<u>57,234</u>
REVENUE CABINET:	
PERSONAL SERVICES	61,063
UTILITIES, RENTALS, AND OTHER SERVICES	15,710
COMMODITIES AND SUPPLIES	2,260
CAPITAL OUTLAY	70
TRAVEL	1,286
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>7,069</u>
TOTAL REVENUE CABINET	<u>87,458</u>
PERSONNEL CABINET:	
PERSONAL SERVICES	3,034
UTILITIES, RENTALS, AND OTHER SERVICES	163
COMMODITIES AND SUPPLIES	89
CAPITAL OUTLAY	(6)
TRAVEL	15
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>7,002</u>
TOTAL PERSONNEL CABINET	<u>10,297</u>
TOTAL GENERAL GOVERNMENT	<u>324,884</u>
LEGISLATIVE AND JUDICIAL:	
PERSONAL SERVICES	128,601
UTILITIES, RENTALS, AND OTHER SERVICES	32,811
COMMODITIES AND SUPPLIES	11,776
CAPITAL OUTLAY	2,478
TRAVEL	2,898
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>1</u>
TOTAL LEGISLATIVE AND JUDICIAL	<u>178,564</u>
COMMERCE:	
ECONOMIC DEVELOPMENT CABINET:	
PERSONAL SERVICES	6,294
UTILITIES, RENTALS, AND OTHER SERVICES	1,004
COMMODITIES AND SUPPLIES	369
GRANTS AND SUBSIDIES	2,656
CAPITAL OUTLAY	19
TRAVEL	<u>241</u>
TOTAL ECONOMIC DEVELOPMENT CABINET	<u>10,583</u>

	June 30, 1999
TOURISM CABINET:	
PERSONAL SERVICES	4,789
UTILITIES, RENTALS, AND OTHER SERVICES	1,128
COMMODITIES AND SUPPLIES	652
GRANTS AND SUBSIDIES	1,375
CAPITAL OUTLAY	(3)
TRAVEL	169
JUDGEMENTS AND CONTINGENT LIABILITIES	1
TOTAL TOURISM CABINET	8,111
TOTAL COMMERCE	18,694
EDUCATION AND HUMANITIES:	
EDUCATION AND HUMANITIES CABINET:	
PERSONAL SERVICES	57,497
UTILITIES, RENTALS, AND OTHER SERVICES	8,323
COMMODITIES AND SUPPLIES	3,230
GRANTS AND SUBSIDIES	2,544,124
CAPITAL OUTLAY	339
TRAVEL	2,441
JUDGEMENTS AND CONTINGENT LIABILITIES	11
TOTAL EDUCATION AND HUMANITIES CABINET	2,615,965
WORKFORCE DEVELOPMENT CABINET:	
PERSONAL SERVICES	21,106
UTILITIES, RENTALS, AND OTHER SERVICES	3,051
COMMODITIES AND SUPPLIES	3,876
GRANTS AND SUBSIDIES	17,552
CAPITAL OUTLAY	320
TRAVEL	480
JUDGEMENTS AND CONTINGENT LIABILITIES	(49)
TOTAL WORKFORCE DEVELOPMENT CABINET	46,336
TOTAL EDUCATION AND HUMANITIES	2,662,301
HUMAN RESOURCES:	
CABINET FOR FAMILIES AND CHILDREN:	
PERSONAL SERVICES	70,770
UTILITIES, RENTALS, AND OTHER SERVICES	16,988
COMMODITIES AND SUPPLIES	13,907
GRANTS AND SUBSIDIES	211,711
CAPITAL OUTLAY	(168)
TRAVEL	3,784
JUDGEMENTS AND CONTINGENT LIABILITIES	27
TOTAL CABINET FOR FAMILIES AND CHILDREN	317,019
HEALTH SERVICES CABINET:	
PERSONAL SERVICES	83,617
UTILITIES, RENTALS, AND OTHER SERVICES	2,757
COMMODITIES AND SUPPLIES	4,993
GRANTS AND SUBSIDIES	852,729
CAPITAL OUTLAY	(4)
TRAVEL	593
JUDGEMENTS AND CONTINGENT LIABILITIES	(4,397)
TOTAL CABINET FOR HEALTH SERVICES	940,288
TOTAL HUMAN RESOURCES	1,257,307

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
JUSTICE:	
PERSONAL SERVICES	208,539
UTILITIES, RENTALS, AND OTHER SERVICES	23,046
COMMODITIES AND SUPPLIES	21,846
GRANTS AND SUBSIDIES	113,504
CAPITAL OUTLAY	6,424
TRAVEL	1,829
JUDGEMENTS AND CONTINGENT LIABILITIES	112
TOTAL JUSTICE	<u>375,300</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:	
PERSONAL SERVICES	43,120
UTILITIES, RENTALS, AND OTHER SERVICES	5,216
COMMODITIES AND SUPPLIES	3,268
GRANTS AND SUBSIDIES	4,108
CAPITAL OUTLAY	594
TRAVEL	540
JUDGEMENTS AND CONTINGENT LIABILITIES	(25)
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	<u>56,821</u>
PUBLIC PROTECTION AND REGULATION:	
PUBLIC PROTECTION AND REGULATION CABINET:	
PERSONAL SERVICES	30,023
UTILITIES, RENTALS, AND OTHER SERVICES	3,087
COMMODITIES AND SUPPLIES	1,312
GRANTS AND SUBSIDIES	5,772
CAPITAL OUTLAY	928
TRAVEL	731
JUDGEMENTS AND CONTINGENT LIABILITIES	14
TOTAL PUBLIC PROTECTION AND REGULATION CABINET	<u>41,867</u>
LABOR CABINET:	
PERSONAL SERVICES	1,762
UTILITIES, RENTALS, AND OTHER SERVICES	111
COMMODITIES AND SUPPLIES	88
GRANTS AND SUBSIDIES	120
TRAVEL	98
TOTAL LABOR CABINET	<u>2,179</u>
TOTAL PUBLIC PROTECTION AND REGULATION	<u>44,046</u>
TRANSPORTATION :	
PERSONAL SERVICES	1,166
UTILITIES, RENTALS, AND OTHER SERVICES	(88)
COMMODITIES AND SUPPLIES	127
CAPITAL OUTLAY	337
TRAVEL	17
JUDGEMENTS AND CONTINGENT LIABILITIES	4,932
TOTAL TRANSPORTATION	<u>6,491</u>
TOTAL EXPENDITURES	<u><u>\$ 4,924,408</u></u>

SPECIAL REVENUE FUNDS

The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

Transportation Fund - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

Federal Fund - accounts for monies received from the Federal Government.

Agency Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

Other Special Revenue Fund - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Totals June 30, 1999
<u>ASSETS</u>					
CASH AND CASH EQUIVALENTS	\$ 40,194	28,710	40,624	32,766	\$ 142,294
RESTRICTED CASH	998	57,692	7,684		66,374
INVESTMENTS, NET OF AMORTIZATION	654,971		179,646	342,650	1,177,267
RECEIVABLES, NET	95,025	460,781	122,246	50,164	728,216
INTERFUND RECEIVABLES	21,782	28,618	81,529	6,273	138,202
INVENTORIES	27,131	1,423	1,487	61	30,102
TOTAL ASSETS	<u>\$ 840,101</u>	<u>\$ 577,224</u>	<u>\$ 433,216</u>	<u>\$ 431,914</u>	<u>\$ 2,282,455</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 84,385	298,465	32,690	7,247	\$ 422,787
INTERFUND PAYABLES	1,682	179,978	44,411	13,541	239,612
DEFERRED REVENUE	24,201	137,874	73,097	27,685	262,857
TOTAL LIABILITIES	<u>110,268</u>	<u>616,317</u>	<u>150,198</u>	<u>48,473</u>	<u>925,256</u>
FUND BALANCE:					
RESERVED FOR:					
ENCUMBRANCES	190,528		8,173		198,701
STATUTORY OBLIGATIONS	41,452		1461		42,913
LOANS				810	810
INVENTORIES	27,131	1,423		61	28,615
DEPOSIT WITH FISCAL AGENTS	198		7,684		7,882
COMPENSATING BALANCE WITH DEPOSITORIES	997				997
REVENUE BOND RETIREMENT				1,000	1,000
UNRESERVED:					
DESIGNATED FOR HIGHWAY CONSTRUCTION	326,560				326,560
UNDESIGNATED (NOTE 3)	142,967	(40,516)	265,700	381,570	749,721
TOTAL FUND BALANCES	<u>729,833</u>	<u>(39,093)</u>	<u>283,018</u>	<u>383,441</u>	<u>1,357,199</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 840,101</u>	<u>\$ 577,224</u>	<u>\$ 433,216</u>	<u>\$ 431,914</u>	<u>\$ 2,282,455</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Totals June 30, 1999
REVENUES:					
TAXES	\$ 865,829	331	212,212	62,187	\$ 1,140,559
LICENSES, FEES AND PERMITS	106,236	(1)	59,007	668	165,910
INTERGOVERNMENTAL	168	3,792,391	25,005	534	3,818,098
CHARGES FOR SERVICES	21,240	46	255,133	16,722	293,141
FINES AND FORFEITS	35	3	2,906	1,941	4,885
INTEREST AND OTHER INVESTMENT INCOME	34,593	233	3,737	18,142	56,705
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	90,769		7,765	(2,616)	95,918
OTHER REVENUES	1,431	82,934	43,222	50,847	178,434
TOTAL REVENUES	1,120,301	3,875,937	608,987	148,425	5,753,650
EXPENDITURES:					
GENERAL GOVERNMENT		78,371	65,578	88,080	232,029
LEGISLATIVE AND JUDICIAL		1,301	6,067	236	7,604
COMMERCE		6,899	24,248	86	31,233
EDUCATION AND HUMANITIES		544,425	43,504	226	588,155
HUMAN RESOURCES		2,815,762	295,431	427	3,111,620
JUSTICE		31,991	44,215	26	76,232
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION		42,631	20,157	1,329	64,117
PUBLIC PROTECTION AND REGULATION		4,696	81,502	1	86,199
TRANSPORTATION	910,408	384,455	54,968		1,349,831
TOTAL EXPENDITURES	910,408	3,910,531	635,670	90,411	5,547,020
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	209,893	(34,594)	(26,683)	58,014	206,630
OTHER FINANCING SOURCES (USES):					
OPERATING TRANSFERS IN	195	28,374	940,628	356,460	1,325,657
OPERATING TRANSFERS OUT	(163,197)	(28,829)	(739,485)	(456,426)	(1,387,937)
CAPITALIZED LEASES			950		950
OTHER FINANCING SOURCES	8			13,000	13,008
TOTAL OTHER FINANCING SOURCES (USES)	(162,994)	(455)	202,093	(86,966)	(48,322)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	46,899	(35,049)	175,410	(28,952)	158,308
FUND BALANCES AT JULY 1, AS RESTATED	683,254	(3,927)	108,315	412,385	1,200,027
INCREASE (DECREASE) IN INVENTORIES	(320)	(117)	(707)	8	(1,136)
RESIDUAL EQUITY TRANSFER IN (OUT)					
FUND BALANCES AT JUNE 30	\$ 729,833	\$ (39,093)	\$ 283,018	\$ 383,441	\$ 1,357,199

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TRANSPORTATION FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
REVENUES:	
TAXES	\$ 865,829
LICENSES, FEES AND PERMITS	106,236
INTERGOVERNMENTAL	168
CHARGES FOR SERVICES	21,240
FINES AND FORFEITS	35
INTEREST AND OTHER INVESTMENT INCOME	34,593
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	90,769
OTHER REVENUES	<u>1,431</u>
TOTAL REVENUES	<u>1,120,301</u>
EXPENDITURES:	
TRANSPORTATION:	
GENERAL ADMINISTRATION AND SUPPORT	58,427
MOTOR VEHICLE REGULATION	26,862
JUSTICE - STATE POLICE	35,165
HIGHWAYS	788,206
OTHER	<u>1,748</u>
TOTAL EXPENDITURES	<u>910,408</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>209,893</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	195
OPERATING TRANSFERS OUT	(163,197)
OTHER FINANCING SOURCES	<u>8</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(162,994)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	46,899
FUND BALANCE AT JULY 1, AS RESTATED	683,254
INCREASE (DECREASE) IN INVENTORIES	(320)
FUND BALANCE AT JUNE 30	<u><u>\$ 729,833</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 865,845	\$ 892,529	\$ 26,684	\$	\$	\$
LICENSES, FEES, AND PERMITS	100,311	105,398	5,087			
CHARGES FOR SERVICES	20,812	21,387	575			
FINES AND FORFEITS	40	35	(5)			
INTEREST AND OTHER INVESTMENT INCOME	40,000	35,589	(4,411)			
OTHER REVENUES	2,300	928	(1,372)			
TOTAL BUDGETED REVENUES	1,029,308	1,055,866	26,558			
NON-BUDGETED:						
TAXES						
LICENSES, FEES, AND PERMITS						
INTERGOVERNMENTAL		167	167		3,643,040	
CHARGES FOR SERVICES					50	
FINES AND FORFEITS					3	
INTEREST AND OTHER INVESTMENT INCOME					233	
EMPLOYER CONTRIBUTIONS						
OTHER REVENUES		563	563		84,939	
TRANSFERS IN (INTERFUND)		194	194		27,963	
TRANSFERS IN (INTRAFUND)		16	16		2,300	
TOTAL NON-BUDGETED REVENUE		940	940		3,758,528	
TOTAL REVENUES	1,029,308	1,056,806	27,498		3,758,528	
EXPENDITURES:						
GENERAL GOVERNMENT:						
GOVERNOR'S OFFICE				112	6	106
KENTUCKY VETERANS CENTER						
UNIFIED PROSECUTORIAL SYSTEM:						
COMMONWEALTH ATTORNEYS				634	584	50
COUNTY ATTORNEYS				164	160	4
DEPARTMENT OF AGRICULTURE				2,425	2,194	231
OFFICE OF THE ATTORNEY GENERAL				2,296	1,943	353
AUDITOR OF PUBLIC ACCOUNTS						
REGISTRY OF ELECTION FINANCE						
MILITARY AFFAIRS:						
GENERAL OPERATIONS				48,958	30,357	18,601
KENTUCKY RETIREMENT SYSTEMS						
LOCAL GOVERNMENT -						
VARIOUS AREA DEVELOPMENT DISTRICTS				43,622	38,437	5,185
SECRETARY OF STATE						
DEPARTMENT OF THE TREASURY						
BOARD OF:						
ACCOUNTANCY						
ALCOHOL AND DRUG COUNSELORS						
AUCTIONEERS						
BARBERING						
CHIROPRACTIC EXAMINERS						
CERTIFICATION FOR PROF. COUNSELORS						
FEE-BASED PASTORAL COUNSELORS						
INTERPRETERS FOR DEAF & HARD OF HEARING						
DENTISTRY						
DIETITIANS AND NUTRITIONISTS						
ELECTIONS						
EMBALMERS AND FUNERAL HOME DIRECTORS						
EXAMINERS AND REGISTRATION OF						
ARCHITECTS						
EXAMINERS AND REGISTRATION OF						
LANDSCAPE ARCHITECTS						
EXAMINERS OF PSYCHOLOGISTS						
EXAMINERS OF SOCIAL WORKERS						
HAIRDRESSERS AND COSMETOLOGISTS						
LICENSING HEARING AID DEALERS & FITTERS						
LICENSURE FOR NURSING HOME						
ADMINISTRATORS						

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$		\$	\$ 865,845	\$ 892,529	\$ 26,684
			100,311	105,398	5,087
			20,812	21,387	575
			40	35	(5)
			40,000	35,589	(4,411)
			2,300	928	(1,372)
			1,029,308	1,055,866	26,558
	197,043			197,043	
	62,166			62,166	
	42,577			3,685,784	
	1,380,844			1,380,894	
	3,319			3,322	
	32,318			32,551	
	97			97	
	131,061			216,563	
	374,425			402,582	
	833,900			836,216	
	3,057,750			6,817,218	
	3,057,750			7,873,084	
400	336	64	512	342	170
10,677	10,004	673	10,677	10,004	673
530	110	420	1,164	694	470
99	37	62	263	197	66
2,636	1,992	644	5,061	4,186	875
2,678	2,393	285	4,974	4,336	638
3,783	3,122	661	3,783	3,122	661
357		357			
13,033	11,756	1,277	61,991	42,113	19,878
14,589	8,466	6,123	14,589	8,466	6,123
1,209	239	970	44,831	38,676	6,155
143	44	99	143	44	99
79	17	62	79	17	62
609	578	31	609	578	31
76	46	30	76	46	30
314	292	22	314	292	22
228	210	18	228	210	18
142	141	1	142	141	1
31	30	1	31	30	1
20		20	20		20
25		25	25		25
411	389	22	411	389	22
40	38	2	40	38	2
124	38	86	124	38	86
186	2	184	186	2	184
162	143	19	162	143	19
45	41	4	45	41	4
178	158	20	178	158	20
85	81	4	85	81	4
891	861	30	891	861	30
40	38	2	40	38	2
73	58	15	73	58	15

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
MEDICAL LICENSURE						
NURSING						
OPHTHALMIC DISPENSERS						
OPTOMETRIC EXAMINERS						
ART THERAPISTS						
OCCUPATIONAL THERAPY						
RESPIRATORY CARE PRACTITIONERS						
MARRIAGE AND FAMILY THERAPISTS						
BOARD OF:						
GEOLOGISTS						
PERSONNEL						
PHARMACY						
PHYSICAL THERAPISTS						
PODIATRY						
REGISTRATION FOR PROFESSIONAL						
ENGINEERS AND LAND SURVEYORS						
SPEECH PATHOLOGY AND AUDIOLOGY						
VETERINARY EXAMINERS						
KENTUCKY ATHLETICS COMMISSION						
EXECUTIVE BRANCH ETHICS COMMISSION						
REAL ESTATE COMMISSION -						
ADMINISTRATION						
EDUCATION RESEARCH AND TRAINING						
REAL ESTATE APPRAISER BOARD						
COMMISSION ON WOMEN						
COMMISSION ON HUMAN RIGHTS				190	24	166
COUNCIL ON POSTSECONDARY EDUCATION				5,772	4,445	1,327
PERSONNEL CABINET:						
OFFICE OF THE SECRETARY						
DEPARTMENT FOR EMPLOYEE RELATIONS						
DEPARTMENT FOR PERSONNEL ADMINISTRATION						
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT						
EASTERN KENTUCKY UNIVERSITY						
KENTUCKY STATE UNIVERSITY						
MOREHEAD STATE UNIVERSITY						
MURRAY STATE UNIVERSITY						
NORTHERN KENTUCKY UNIVERSITY						
UNIVERSITY OF KENTUCKY						
KY COMMUNITY AND TECHNICAL COLLEGE SYSTEM				11,961	11,469	492
UNIVERSITY OF LOUISVILLE						
WESTERN KENTUCKY UNIVERSITY						
REVENUE CABINET:						
OFFICE OF THE SECRETARY						
DEPARTMENT OF TAX ADMINISTRATION	1,066	1,066		40	40	
DEPARTMENT OF PROPERTY VALUATION	286	286				
DEPARTMENT OF LAW						
OFFICE OF PROPERTY VALUATION						
ADMINISTRATORS ACCOUNTING						
FINANCE AND ADMINISTRATION:						
OFFICE OF THE SECRETARY	125	125		58,133	31,149	26,984
KENTUCKY HIGHER EDUCATION ASSISTANCE						
AUTHORITY				325	312	13
COUNTY COSTS - PUBLIC DEFENDER PROGRAM						
COUNTY COSTS - DUI SERVICE FEES						
DEPARTMENT FOR ADMINISTRATION	257	257				
OFFICE OF GOVERNMENTAL SERVICES CENTER						
DEPARTMENT FOR FACILITIES MANAGEMENT						
CAMPBELL COUNTY FEES						
DAVISS COUNTY FEES						
FAYETTE COUNTY FEES						
HARDIN COUNTY FEES						
JEFFERSON COUNTY FEES						
KENTON COUNTY FEES						
PIKE COUNTY FEES						
WARREN COUNTY FEES						
TOTAL GENERAL GOVERNMENT	1,734	1,734		174,632	121,120	53,512

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
1,604	1,394	210	1,604	1,394	210
3,034	2,854	180	3,034	2,854	180
28	28		28	28	
130	127	3	130	127	3
7	7		7	7	
40	37	3	40	37	3
72	72		72	72	
40	37	3	40	37	3
83	76	7	83	76	7
5		5	5		5
594	580	14	594	580	14
287	268	19	287	268	19
10	9	1	10	9	1
998	905	93	998	905	93
69	69		69	69	
93	93		93	93	
75	75		75	75	
3	2	1	3	2	1
1,141	1,080	61	1,141	1,080	61
873	677	196	873	677	196
375	373	2	375	373	2
3	3		3	3	
127	97	30	317	121	196
3,000	2,848	152	8,772	7,293	1,479
4,018	4,018		4,018	4,018	
2,737	2,714	23	2,737	2,714	23
2,887	2,855	32	2,887	2,855	32
40		40	40		40
116,361	114,917	1,444	116,361	114,917	1,444
27,510	24,742	2,768	27,510	24,742	2,768
67,771	46,969	20,802	67,771	46,969	20,802
54,384	46,772	7,612	54,384	46,772	7,612
55,453	52,891	2,562	55,453	52,891	2,562
765,216	701,841	63,375	765,216	701,841	63,375
114,481	67,387	47,094	126,442	78,856	47,586
247,735	64,389	183,346	247,735	64,389	183,346
91,500	68,795	22,705	91,500	68,795	22,705
75	75		75	75	
939	935	4	2,045	2,041	4
1,589	1,586	3	1,875	1,872	3
325	211	114	325	211	114
2,387	1,958	429	2,387	1,958	429
4,327	3,532	795	62,585	34,806	27,779
31,180	22,724	8,456	31,505	23,036	8,469
668	637	31	668	637	31
859	859		859	859	
3,100	2,578	522	3,357	2,835	522
1,237	1,183	54	1,237	1,183	54
133	50	83	133	50	83
2,534	3,392	(858)	2,534	3,392	(858)
3,296	3,909	(613)	3,296	3,909	(613)
7,480	10,954	(3,474)	7,480	10,954	(3,474)
2,617	3,185	(568)	2,617	3,185	(568)
24,368	28,763	(4,395)	24,368	28,763	(4,395)
4,103	6,464	(2,361)	4,103	6,464	(2,361)
2,392	3,330	(938)	2,392	3,330	(938)
2,954	4,794	(1,840)	2,954	4,794	(1,840)
1,713,240	1,352,780	360,460	1,889,249	1,475,634	413,615

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LEGISLATIVE AND JUDICIAL:						
GENERAL ASSEMBLY - LONG TERM POLICY						
RESEARCH CENTER AND ETHICS COMMISSION						
LEGISLATIVE RESEARCH COMMISSION				1		1
JUDICIAL FORM RETIREMENT SYSTEM						
COURT OF JUSTICE						
OPERATIONS AND ADMIN				2,121	1,303	818
TOTAL LEGISLATIVE AND JUDICIAL				2,122	1,303	819
COMMERCE:						
ECONOMIC DEVELOPMENT -						
OFFICE OF THE SECRETARY						
ADMINISTRATION AND SUPPORT						
FINANCIAL INCENTIVES						
COMMUNITY DEVELOPMENT				179	157	22
TOURISM -						
OFFICE OF THE SECRETARY				6	2	4
TRAVEL DEVELOPMENT				71	49	22
DEPARTMENT OF PARKS						
DEPARTMENT OF FISH AND WILDLIFE						
RESOURCES				7,642	7,264	378
TOTAL COMMERCE				7,898	7,472	426
EDUCATION AND HUMANITIES:						
COMMISSION ON THE DEAF AND HARD OF HEARING						
ENVIRONMENTAL EDUCATION COUNCIL						
KENTUCKY HERITAGE COUNCIL				915	710	205
KENTUCKY ARTS COUNCIL				605	602	3
OFFICE OF THE SECRETARY						
EDUCATION -						
EXECUTIVE POLICY AND MANAGEMENT				595	583	12
MANAGEMENT SUPPORT SERVICES				167,244	157,747	9,497
LEARNING RESULTS SERVICES						
LEARNING SUPPORT SERVICES				240,253	232,695	7,558
KENTUCKY EDUCATIONAL TELEVISION				684	650	34
KENTUCKY HISTORICAL SOCIETY				625	567	58
LIBRARIES AND ARCHIVES -						
DIRECT LOCAL AID				1,158	1,073	85
GENERAL OPERATIONS				1,564	1,328	236
TEACHERS RETIREMENT SYSTEM						
WORKFORCE DEVELOPMENT -						
OFFICE OF THE SECRETARY						
JOB TRAINING COORDINATING COUNCIL				133		133
GENERAL ADMINISTRATION & PROGRAM SUPPORT				8,223	6,609	1,614
BOARD OF PROPRIETARY EDUCATION						
STATE ADVISORY COUNCIL FOR						
VOCATIONAL EDUCATION						
DEPARTMENT FOR THE BLIND				6,871	6,409	462
OFFICE OF TRAINING AND REEMPLOYMENT				48,098	42,985	5,113
DEPARTMENT FOR EMPLOYMENT SERVICES				52,198	49,639	2,559
DEPARTMENT FOR TECHNICAL EDUCATION				15,650	7,548	8,102
DEPARTMENT FOR ADULT EDUCATION & LITERACY				8,548	6,973	1,575
DEPARTMENT OF VOCATIONAL REHABILITATION				41,518	40,111	1,407
TOTAL EDUCATION AND HUMANITIES				594,882	556,229	38,653
HUMAN RESOURCES:						
CFC - ADMINISTRATIVE SERVICES				38,400	30,601	7,799
CFC - DEPARTMENT FOR DISABILITY						
DETERMINATION				13,833	11,370	2,463
CFC - OFFICE OF AGING SERVICES				10,386	10,326	60
CFC - COMMUNITY BASED SERVICES				457,004	372,977	84,027
CFC - OFFICE OF FAMILY RESOURCES AND YOUTH						
SERVICES CENTERS				234	76	158

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
394		394	394		394
1,488	2	1,486	1,489	2	1,487
174	139	35	174	139	35
9,016	5,802	3,214	11,137	7,105	4,032
11,072	5,943	5,129	13,194	7,246	5,948
254	207	47	254	207	47
3,178	2,274	904	3,178	2,274	904
177	149	28	356	306	50
4	4		6	2	4
			75	53	22
23,262	23,014	248	30,904	30,278	626
26,875	25,648	1,227	34,773	33,120	1,653
279	252	27	279	252	27
262	195	67	262	195	67
207	154	53	1,122	864	258
664	274	390	1,269	876	393
94	11	83	94	11	83
437	304	133	1,032	887	145
2,599	2,221	378	169,843	159,968	9,875
1	1		1	1	
4,876	3,781	1,095	245,129	236,476	8,653
3,616	1,895	1,721	4,300	2,545	1,755
399	168	231	1,024	735	289
8		8	1,166	1,073	93
1,360	1,170	190	2,924	2,498	426
4,402	4,326	76	4,402	4,326	76
5,247	5,137	110	133		133
111	99	12	13,470	11,746	1,724
			111	99	12
2,202	1,882	320	9,073	8,291	782
18		18	48,116	42,985	5,131
10,639	6,901	3,738	62,837	56,540	6,297
19,754	16,966	2,788	35,404	24,514	10,890
1,204	816	388	9,752	7,789	1,963
3,278	3,238	40	44,796	43,349	1,447
61,657	49,791	11,866	656,539	606,020	50,519
9,070	4,054	5,016	47,470	34,655	12,815
300	73	227	14,133	11,443	2,690
80,720	59,729	20,991	10,386	10,326	60
			537,724	432,706	105,018
256	41	215	490	117	373

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
CHS - ADMINISTRATIVE SUPPORT				7,802	7,802	
CHS - DEPARTMENT OF PUBLIC HEALTH				116,239	114,183	2,056
CHS - DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION				37,100	32,874	4,226
CHS - DEPARTMENT FOR MEDICAID SERVICES				39,393	28,632	10,761
CHS - MEDICAID SERVICES BENEFITS				2,048,023	1,942,574	105,449
CHS - OFFICE OF CERTIFICATE OF NEED						
CHS - COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS				6,293	6,273	20
CHS - OFFICE OF AGING SERVICES				6,693	5,658	1,035
TOTAL HUMAN RESOURCES				2,781,400	2,563,346	218,054
JUSTICE:						
ADMINISTRATION				12,791	8,691	4,100
DEPARTMENT OF STATE POLICE	35,000	34,989	11	12,221	8,322	3,899
DEPARTMENT OF JUVENILE JUSTICE				17,569	14,599	2,970
DEPARTMENT OF CRIMINAL JUSTICE TRAINING						
DEPARTMENT OF CORRECTIONS - MANAGEMENT				66	40	26
ADULT INSTITUTIONS				3,129	1,604	1,525
COMMUNITY SERVICE AND LOCAL FACILITIES				1,541	600	941
TOTAL JUSTICE	35,000	34,989	11	47,317	33,856	13,461
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:						
OFFICE OF THE SECRETARY				2,065	1,618	447
KENTUCKY RIVER AUTHORITY						
ENVIRONMENTAL QUALITY COMMISSION						
KENTUCKY NATURE PRESERVES COMMISSION				60	36	24
DEPARTMENT FOR ENVIRONMENTAL PROTECTION				18,731	11,605	7,126
DEPARTMENT FOR NATURAL RESOURCES				2,627	2,282	345
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT - SURFACE MINING RECLAMATION & ENFORCEMENT				15,808	13,759	2,049
AML RECLAMATION PROJECTS				22,456	12,831	9,625
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION				61,747	42,131	19,616
PUBLIC PROTECTION AND REGULATION:						
OFFICE OF THE SECRETARY						
BOARD OF CLAIMS AND CRIME VICTIMS COMPENSATION				351	80	271
BACKSIDE IMPROVEMENT COMMISSION						
KENTUCKY RACING COMMISSION						
PUBLIC SERVICE COMMISSION				219	184	35
DEPARTMENT:						
FOR PUBLIC ADVOCACY				1,241	1,008	233
OF ALCOHOLIC BEVERAGE CONTROL				254	18	236
OF CHARITABLE GAMING						
OF FINANCIAL INSTITUTIONS						
OF HOUSING, BUILDING, AND CONSTRUCTION						
OF INSURANCE						
FOR MINES AND MINERALS				629	503	126

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
5,150	4,010	1,140	12,952	11,812	1,140
10,288	9,127	1,161	126,527	123,310	3,217
128,321	126,692	1,629	165,421	159,566	5,855
8,887	5,725	3,162	48,280	34,357	13,923
238,175	209,808	28,367	2,286,198	2,152,382	133,816
301	283	18	301	283	18
5,796	5,696	100	12,089	11,969	120
6,941	122	6,819	13,634	5,780	7,854
494,205	425,360	68,845	3,275,605	2,988,706	286,899
1,258	1,005	253	14,049	9,696	4,353
6,572	2,186	4,386	53,793	45,497	8,296
11,114	10,992	122	28,683	25,591	3,092
25,683	25,158	525	25,683	25,158	525
271	245	26	337	285	52
7,780	2,594	5,186	10,909	4,198	6,711
446	321	125	1,987	921	1,066
53,124	42,501	10,623	135,441	111,346	24,095
352	123	229	2,417	1,741	676
1,511	782	729	1,511	782	729
18	9	9	18	9	9
637	290	347	697	326	371
20,196	16,902	3,294	38,927	28,507	10,420
6,467	3,476	2,991	9,094	5,758	3,336
5,124	3,153	1,971	20,932	16,912	4,020
			22,456	12,831	9,625
34,305	24,735	9,570	96,052	66,866	29,186
1,483	1,432	51	1,483	1,432	51
1,421	1,308	113	1,772	1,388	384
441	398	43	441	398	43
13,826	13,007	819	13,826	13,007	819
23	3	20	242	187	55
3,920	3,615	305	5,161	4,623	538
3,350	3,128	222	3,604	3,146	458
5,528	4,252	1,276	5,528	4,252	1,276
9,706	9,173	533	9,706	9,173	533
25,674	25,674		25,674	25,674	
25,198	22,612	2,586	25,198	22,612	2,586
810	567	243	1,439	1,070	369

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LABOR CABINET -						
OFFICE OF THE SECRETARY						
OCCUPATIONAL SAFETY AND HEALTH						
REVIEW COMMISSION				175	146	29
WORKPLACE STANDARDS				3,283	2,879	404
TOTAL PUBLIC PROTECTION AND REGULATION				6,152	4,818	1,334
TRANSPORTATION:						
ADMINISTRATION & SUPPORT	59,321	53,381	5,940			
REVENUE SHARING	268,106	202,626	65,480			
AIR TRANSPORTATION				626	261	365
HIGHWAYS	1,185,557	587,048	598,509	1,110,645	375,994	734,651
HIGHWAYS-PUBLIC TRANSPORTATION				11,381	8,186	3,195
RAIL TRANSPORTATION						
VEHICLE REGULATION	30,260	27,638	2,622	5,455	1,825	3,630
DEBT SERVICE	153,028	151,789	1,239			
TRANSFERS TO CAPITAL CONSTRUCTION	338		338			
ROAD FUND JUDGEMENTS	9,302	9,302				
1990 ECONOMIC DEVELOPMENT BOND PROJECTS						
TOTAL TRANSPORTATION	1,705,912	1,031,784	674,128	1,128,107	386,266	741,841
TOTAL EXPENDITURES	1,742,646	1,068,507	674,139	4,804,257	3,716,541	1,087,716
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(713,338)	(11,701)	701,637		41,987	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY	1,410	1,410				
RECEIPTS FROM TRUSTEES						
TOTAL OTHER FINANCING SOURCES (USES)	1,410	1,410				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(711,928)	(10,291)			41,987	
FUND BALANCES AT JULY 1	647,934	715,835	67,901		24,987	
MOVED TO AGENCY REVENUE FUND						
MOVED FROM FEDERAL FUND						
MOVED TO FLEET MANAGEMENT FUND						
MOVED TO UNIVERSITIES						
NON-BUDGETED ITEMS		(27)	(27)		(10,552)	
FUND BALANCES AT JUNE 30	\$ (63,994)	\$ 705,517	\$ 769,511	\$	\$ 56,422	\$

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
4,484	3,938	546	4,484	3,938	546
			175	146	29
			3,283	2,879	404
95,864	89,107	6,757	102,016	93,925	8,091
100	48	52	59,421	53,429	5,992
97	75	22	268,106	202,626	65,480
67,278	20,976	46,302	723	336	387
1,087	537	550	2,363,480	984,018	1,379,462
3,881	2,929	952	12,468	8,723	3,745
			39,596	32,392	7,204
			153,028	151,789	1,239
			338		338
			9,302	9,302	
248,426	88,239	160,187	248,426	88,239	160,187
320,869	112,804	208,065	3,154,888	1,530,854	1,624,034
2,811,211	2,128,669	682,542	9,357,757	6,913,717	2,444,040
929,081				959,367	
			1,410	1,410	
			1,410	1,410	
929,081				960,777	
664,530				1,405,352	
(1,032,608)				(1,043,187)	
\$ 561,003		\$	\$	\$ 1,322,942	\$

DEBT SERVICE FUND

The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
<u>ASSETS</u>	
CASH AND CASH EQUIVALENTS	\$ 47,273
CASH WITH FISCAL AGENTS	298,148
INVESTMENTS, NET OF AMORTIZATION	2,608
RECEIVABLES, NET	2,471
INTERFUND RECEIVABLES	<u>2,493</u>
TOTAL ASSETS	<u>\$ 352,993</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 2,493
DEFERRED REVENUE	<u>21</u>
TOTAL LIABILITIES	<u>2,514</u>
FUND BALANCE:	
RESERVED FOR:	
REVENUE BOND RETIREMENT	313,306
DEPOSIT WITH FISCAL AGENTS	13,963
UNRESERVED:	
DESIGNATED FOR DEBT SERVICE	<u>23,210</u>
TOTAL FUND BALANCE	<u>350,479</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 352,993</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
REVENUES:	
CHARGES FOR SERVICES	\$ 1,203
INTEREST AND OTHER INVESTMENT INCOME	12,717
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	602
OTHER REVENUES	<u>165</u>
TOTAL REVENUES	<u>14,687</u>
EXPENDITURES:	
PRINCIPAL RETIREMENT	197,363
INTEREST AND FISCAL CHARGES	158,225
OTHER EXPENDITURES	<u>2,110</u>
TOTAL EXPENDITURES	<u>357,698</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(343,011)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN - GENERAL FUND	186,009
OPERATING TRANSFERS IN - CAPITAL PROJECTS FUND	3,607
OPERATING TRANSFERS IN - AGENCY REVENUE FUND	16
OPERATING TRANSFERS IN - OTHER SPECIAL REVENUE FUND	155,629
OPERATING TRANSFERS IN - STATE FAIR BOARD FUND	371
OPERATING TRANSFERS OUT - GENERAL FUND	(9,997)
PROCEEDS FROM SALE OF BONDS:	
REFUNDING ISSUES	35,745
PAYMENTS TO REFUNDED BOND ESCROW AGENT	<u>(31,304)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>340,076</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,935)
FUND BALANCE AT JULY 1, AS RESTATED	353,414
FUND BALANCE AT JUNE 30	<u><u>\$ 350,479</u></u>

CAPITAL PROJECTS FUND

The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

COMMONWEALTH OF KENTUCKY
BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
<u>ASSETS</u>	
CASH AND CASH EQUIVALENTS	\$ 74,046
INVESTMENTS, NET OF AMORTIZATION	398,548
RECEIVABLES, NET	9,170
INTERFUND RECEIVABLES	2,095
DUE FROM COMPONENT UNITS	
TOTAL ASSETS	<u>\$ 483,859</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 14,593
INTERFUND PAYABLES	4,630
DEFERRED REVENUE	16,875
TOTAL LIABILITIES	<u>36,098</u>
FUND BALANCE:	
RESERVED FOR:	
ENCUMBRANCES	42,042
CAPITAL OUTLAY	428,537
UNRESERVED:	
UNDESIGNATED	(22,818)
TOTAL FUND BALANCE	<u>447,761</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 483,859</u>

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>June 30, 1999</u>
REVENUES:	
INTERGOVERNMENTAL	\$ 3,267
INTEREST AND OTHER INVESTMENT INCOME	43,122
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	(125,729)
OTHER REVENUES	<u>2,232</u>
TOTAL REVENUES	<u>(77,108)</u>
EXPENDITURES:	
CAPITAL OUTLAY:	
GENERAL GOVERNMENT	89,595
LEGISLATIVE AND JUDICIAL	
COMMERCE	102,837
EDUCATION AND HUMANITIES	22,945
HUMAN RESOURCES	3,239
JUSTICE	30,950
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	1,650
PUBLIC PROTECTION AND REGULATION	4,958
TRANSPORTATION	<u>9,991</u>
TOTAL EXPENDITURES	<u>266,165</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(343,273)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	376,344
OPERATING TRANSFERS OUT	(213,461)
PROCEEDS FROM SALE OF BONDS :	
NEW ISSUES	<u>252,337</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>415,220</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	71,947
FUND BALANCE AT JULY 1, AS RESTATED	375,814
FUND BALANCE AT JUNE 30	<u><u>\$ 447,761</u></u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CONSTRUCTION IN PROGRESS
CAPITAL PROJECTS FUND - (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Appropriations	Expenditures			Unexpended
	To Date	Prior Years	Current Year	Totals	Balances
GENERAL GOVERNMENT:					
CABINET OF THE GENERAL GOVERNMENT	\$ 283,145	\$ 24,600	\$ 44,131	\$ 68,731	\$ 214,414
REVENUE CABINET	425		349	349	76
FINANCE AND ADMINISTRATION CABINET	366,828	83,311	47,822	131,133	235,695
CABINET FOR UNIVERSITIES	3,471,592	853,602	116,932	970,534	2,501,058
PERSONNEL CABINET	1,600	842	604	1,446	154
TOTAL GENERAL GOVERNMENT	4,123,590	962,355	209,838	1,172,193	2,951,397
LEGISLATIVE AND JUDICIAL:					
LEGISLATIVE CABINET	3,238	3,238		3,238	
TOTAL LEGISLATIVE AND JUDICIAL	3,238	3,238		3,238	
COMMERCE:					
CABINET FOR ECONOMIC DEVELOPMENT	128,359	47,946	26,998	74,944	53,415
TOURISM CABINET	292,751	116,305	77,326	193,631	99,120
TOTAL COMMERCE	421,110	164,251	104,324	268,575	152,535
EDUCATION AND HUMANITIES:					
EDUCATION, ARTS AND HUMANITIES CABINET	87,197	36,777	24,637	61,414	25,783
CABINET FOR WORKFORCE DEVELOPMENT	25,199	9,865	4,916	14,781	10,418
TOTAL EDUCATION AND HUMANITIES	112,396	46,642	29,553	76,195	36,201
HUMAN RESOURCES:					
CABINET FOR FAMILIES AND CHILDREN	11,267	10,503	307	10,810	457
CABINET FOR HEALTH SERVICES	24,287	17,430	2,729	20,159	4,128
TOTAL HUMAN RESOURCES	35,554	27,933	3,036	30,969	4,585
JUSTICE:					
JUSTICE CABINET	228,871	78,686	30,403	109,089	119,782
TOTAL JUSTICE	228,871	78,686	30,403	109,089	119,782
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:					
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET	47,371	12,687	1,651	14,338	33,033
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	47,371	12,687	1,651	14,338	33,033
PUBLIC PROTECTION AND REGULATION:					
PUBLIC PROTECTION AND REGULATION CABINET	7,775	1,234	3,943	5,177	2,598
LABOR CABINET	2,719	2,053	460	2,513	206
TOTAL PUBLIC PROTECTION AND REGULATION	10,494	3,287	4,403	7,690	2,804
TRANSPORTATION:					
TRANSPORTATION CABINET	135,596	22,870	9,725	32,595	103,001
TOTAL TRANSPORTATION	135,596	22,870	9,725	32,595	103,001
TOTAL PROJECTS	\$ 5,118,220	\$ 1,321,949	\$ 392,933	\$ 1,714,882	\$ 3,403,338

ENTERPRISE FUNDS

The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

State Parks Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

Kentucky Lottery Corporation - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

Industries for the Blind Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Department for the Blind.

State Horse Park Fund - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

Insurance Administration Fund - accounts for insurance risk pools operated by the State. These include:

Kentucky Kare - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

Workers' Compensation Special Fund - provides benefits for workers with illnesses which are not attributable to one employer.

Coal Workers Pneumoconiosis Fund - provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

Petroleum Storage Tank Environmental Assurance Program - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

Mine Subsidence Insurance Program - provides coverage against losses arising out of or due to mine subsidence within this state.

Bond Pool Program - provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1999
<u>ASSETS</u>						
CASH AND CASH EQUIVALENTS	\$ 9,589	\$ 22,733	\$ 296	\$ 515	\$ 52,467	\$ 85,600
INVESTMENTS, NET OF AMORTIZATION		36,130				36,130
RECEIVABLES, NET	589	28,334	6	191	18,292	47,412
INTERFUND RECEIVABLES	111			1	20	132
INTEREST RECEIVABLE					2,668	2,668
INVENTORIES	2,630	272	149	430		3,481
PREPAID EXPENSES	5	308		2		315
TOTAL CURRENT ASSETS	12,924	87,777	451	1,139	73,447	175,738
OTHER ASSETS:						
LONG TERM INVESTMENTS	1,132	322,034	116	79	475,239	798,600
LONG-TERM RECEIVABLES		3,735				3,735
TOTAL OTHER ASSETS	1,132	325,769	116	79	475,239	802,335
FIXED ASSETS:						
LAND	11,689	423	50	2,954		15,116
IMPROVEMENTS OTHER THAN BUILDINGS	44,514	326		13,847		58,687
BUILDINGS	90,558	7,103	988	14,678		113,327
MACHINERY AND EQUIPMENT	10,723	24,941	84	2,541	1,589	39,878
LESS: ACCUMULATED DEPRECIATION	(76,456)	(18,825)	(789)	(20,265)	(877)	(117,212)
CONSTRUCTION IN PROGRESS	84,917			1,031		85,948
TOTAL FIXED ASSETS, NET	165,945	13,968	333	14,786	712	195,744
TOTAL ASSETS	\$ 180,001	\$ 427,514	\$ 900	\$ 16,004	\$ 549,398	\$ 1,173,817
<u>LIABILITIES AND FUND BALANCE</u>						
CURRENT LIABILITIES:						
ACCOUNTS PAYABLE	\$ 3,550	\$ 12,539	\$ 1	\$ 190	\$ 10,076	\$ 26,356
INTERFUND PAYABLES	354			23	181	558
CLAIMS LIABILITY					159,973	159,973
CLAIMS ADJUSTMENT LIABILITY					6,735	6,735
CAPITAL LEASE OBLIGATIONS	13			1		14
NOTES PAYABLE		1,357				1,357
LONG-TERM DEBT		53,926				53,926
COMPENSATED ABSENCES	2,098	633		237	908	3,876
DEFERRED REVENUE	32		1	142	268	443
TOTAL CURRENT LIABILITIES	6,047	68,455	2	593	178,141	253,238
LONG-TERM LIABILITIES:						
CLAIMS LIABILITY					1,417,085	1,417,085
CLAIMS ADJUSTMENT LIABILITY					55,173	55,173
CAPITAL LEASE OBLIGATIONS	1			5		6
NOTES PAYABLE		3,055				3,055
COMPENSATED ABSENCES	2,571			266	713	3,550
OTHER LIABILITIES	665	303,907				304,572
TOTAL LONG-TERM LIABILITIES	3,237	306,962		271	1,472,971	1,783,441
TOTAL LIABILITIES	9,284	375,417	2	864	1,651,112	2,036,679
FUND EQUITY:						
CONTRIBUTED CAPITAL	123,392			14,419		137,811
RETAINED EARNINGS:						
UNRESERVED	47,325	52,097	898	721	(1,101,714)	(1,000,673)
TOTAL FUND EQUITY	170,717	52,097	898	15,140	(1,101,714)	(862,862)
TOTAL LIABILITIES AND FUND EQUITY	\$ 180,001	\$ 427,514	\$ 900	\$ 16,004	\$ 549,398	\$ 1,173,817

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1999
OPERATING REVENUES:						
CHARGES FOR SERVICES	\$ 45,301	\$	\$ (60)	\$ 4,279	\$ 171,477	\$ 220,997
INTEREST AND OTHER INVESTMENT INCOME					26,691	26,691
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS			(3)		12,025	12,022
LOTTERY PROCEEDS		583,145				583,145
OTHER REVENUES	158			11	2,835	3,004
TOTAL OPERATING REVENUES	45,459	583,145	(63)	4,290	213,028	845,859
OPERATING EXPENSES:						
PERSONAL EXPENSES	44,934	10,539	478	3,822	17,934	77,707
UTILITIES, RENTALS, AND OTHER SERVICES	10,557	162	30	903	2,445	14,097
COMMODITIES AND SUPPLIES	14,016	203	165	2,750	1,526	18,660
GRANTS AND SUBSIDIES			150			150
DEPRECIATION AND AMORTIZATION	4,022	2,839	29	491	228	7,609
TRAVEL	408	565	1	28	420	1,422
CLAIMS EXPENSE	(385)				283,862	283,477
CLAIMS ADJUSTMENT EXPENSE					2,700	2,700
PRIZE EXPENSE		340,672				340,672
OTHER EXPENSES		68,070			290	68,360
TOTAL OPERATING EXPENSES	73,552	423,050	853	7,994	309,405	814,854
OPERATING INCOME (LOSS)	(28,093)	160,095	(916)	(3,704)	(96,377)	31,005
NONOPERATING REVENUES (EXPENSES)						
GAIN (LOSS) ON SALE OF FIXED ASSETS	(9)	(15,406)				(15,415)
INTEREST AND OTHER INVESTMENT INCOME	18		2		4,518	4,538
CHANGE IN ACTUARIAL ESTIMATE						
INTEREST EXPENSE	(4)	(348)		(1)		(353)
OTHER REVENUES (EXPENSE)	(2)			1		(1)
TOTAL NONOPERATING REVENUES (EXPENSES)	3	(15,754)	2		4,518	(11,231)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(28,090)	144,341	(914)	(3,704)	(91,859)	19,774
OPERATING TRANSFERS IN	27,284		933	3,390	19,000	50,607
OPERATING TRANSFERS OUT	(1,423)	(159,589)			(8,448)	(169,460)
NET INCOME (LOSS)	(2,229)	(15,248)	19	(314)	(81,307)	(99,079)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	1,611			448		2,059
INCREASE (DECREASE) IN RETAINED EARNINGS	(618)	(15,248)	19	134	(81,307)	(97,020)
RETAINED EARNINGS AT JULY 1, AS RESTATED	47,943	67,345	879	587	(1,020,407)	(903,653)
RETAINED EARNINGS AT JUNE 30	\$ 47,325	\$ 52,097	\$ 898	\$ 721	\$ (1,101,714)	\$ (1,000,673)

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	State Parks	Lottery Corporation
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 43,935	\$ 574,398
CASH RECEIVED FROM CUSTOMERS - STATE	1,410	
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(23,490)	(90,626)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(44,932)	(10,539)
CASH PAYMENTS FOR CLAIMS EXPENSE	385	(340,672)
CASH PAYMENTS (TO) FROM OTHER SOURCES	156	
NET CASH PROVIDED BY OPERATING ACTIVITIES	(22,536)	132,561
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
OPERATING TRANSFERS-IN FROM OTHER FUNDS	27,284	
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(1,423)	(159,589)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	25,861	(159,589)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,648)	(4,038)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS		(1,357)
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(4)	(348)
PROCEEDS FROM SALE OF CAPITAL ASSETS		425
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,652)	(5,318)
CASH FLOWS FROM INVESTING ACTIVITIES:		
PURCHASE OF INVESTMENT SECURITIES		(12,848)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	2,677	38,605
INTEREST AND DIVIDENDS ON INVESTMENTS	18	1,943
NET CASH USED IN INVESTING ACTIVITIES	2,695	27,700
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,368	(4,646)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,221	27,379
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,589	\$ 22,733
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	\$ (28,093)	\$ 160,095
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	4,022	2,839
INTEREST AND OTHER INVESTMENT INCOME		
MISCELLANEOUS NONOPERATING INCOME (EXPENSE)	(2)	
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS		
RECEIVABLES, NET	11	(8,883)
INTERFUND RECEIVABLES	20	
FAIR MARKET VALUE OF INVESTMENTS		
INVENTORIES	30	(34)
PREPAID EXPENSES	(2)	14
OTHER ASSETS		(1)
INCREASE (DECREASE) IN LIABILITIES		
ACCOUNTS PAYABLE	1,071	(21,527)
INTERFUND PAYABLES	(16)	
CLAIMS LIABILITY		
CLAIMS ADJUSTMENT LIABILITY		
COMPENSATED ABSENCES	410	58
OTHER LIABILITIES		
DEFERRED REVENUE	13	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (22,536)	\$ 132,561

THROUGH CONTRIBUTED CAPITAL, STATE PARKS, AND HORSE PARK ACQUIRED FIXED ASSETS COSTING \$17,445,(000), AND \$583,(000), RESPECTIVELY. THROUGH CAPITAL LEASES STATE PARKS ACQUIRED FIXED ASSETS COSTING \$392,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$13,(000) AND \$1,(000) RESPECTIVELY. FOR THE LOTTERY CORPORATION, THE ACCRETION OF INTEREST ON GRAND PRIZE INVESTMENTS, WHICH ALSO INCREASED THE ESTIMATED PRIZE LIABILITY, TOTALED APPROXIMATELY \$12,640(000) FOR THE YEAR.

Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1999
\$ 39	\$ 4,190	\$ 178,498	\$ 801,060
4	87		1,501
(304)	(3,771)	(5,380)	(123,571)
(530)	(3,784)	(17,448)	(77,233)
		(239,886)	(580,173)
(150)	11	4,570	4,587
(941)	(3,267)	(79,646)	26,171
933	3,390	10,844	42,451
		(380)	(161,392)
933	3,390	10,464	(118,941)
	(3)	(83)	(5,772)
			(1,357)
			(352)
			425
	(3)	(83)	(7,056)
	(28)	(28,719)	(41,595)
269		14,155	55,706
1		31,833	33,795
270	(28)	17,269	47,906
262	92	(51,996)	(51,920)
34	423	104,463	137,520
\$ 296	\$ 515	\$ 52,467	\$ 85,600
\$ (916)	\$ (3,704)	\$ (96,377)	\$ 31,005
29	491	228	7,609
(2)		(24,071)	(24,073)
			(2)
83	17	1,086	(7,686)
23	4	1,356	1,403
3		(12,025)	(12,022)
	(20)		(24)
	(1)		11
			(1)
(104)	(87)	4,128	(16,519)
(3)	(10)	(2,650)	(2,679)
		45,807	45,807
		2,700	2,700
(51)	66	141	624
(3)	(23)	31	18
\$ (941)	\$ (3,267)	\$ (79,646)	\$ 26,171

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	State Parks			Industries For The Blind		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
LICENSES, FEES, AND PERMITS	\$	\$	\$	\$	\$	\$
CHARGES FOR SERVICES		43,735			21	
FINES AND FORFEITS						
INTERGOVERNMENTAL INCOME		1				
INTEREST AND OTHER INVESTMENT INCOME		41			4	
OTHER REVENUES		186				
TRANSFERS IN (INTERFUND)						
TRANSFERS IN (INTRAFUND)		11				
TOTAL REVENUES		43,974			25	
EXPENSES:						
GENERAL GOVERNMENT:						
OFFICE OF THE ATTORNEY GENERAL						
PERSONNEL CABINET						
FINANCE AND ADMINISTRATION						
COMMERCE	44,483	42,750	1,733			
EDUCATION AND HUMANITIES				1,753	20	1,733
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION:						
DEPT FOR SURFACE MINING						
RECLAMATION & ENFORCEMENT						
DEPARTMENT FOR SURFACE MINING						
RECLAMATION AND ENFORCEMENT						
PUBLIC PROTECTION AND REGULATION:						
SECRETARY'S OFFICE						
DEPARTMENT OF INSURANCE						
LABOR CABINET:						
KENTUCKY OCCUPATIONAL SAFETY &						
HEALTH REVIEW COMMISSION						
DEPARTMENT OF WORKPLACE						
STANDARDS						
DEPARTMENT OF WORKERS CLAIMS						
WORKERS COMPENSATION FUNDING						
COMMISSION						
TOTAL EXPENSES	44,483	42,750	1,733	1,753	20	1,733
EXCESS OF REVENUES OVER						
(UNDER) EXPENSES		1,224			5	
FUND BALANCES/FUND EQUITY AT JULY 1		127,394			803	
NON-BUDGETED ITEMS		(2)				
FIXED ASSET ALLOCATION		27,299			(29)	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 155,915	\$	\$	\$ 779	\$

Horse Park			Insurance Administration			Totals		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	\$	\$		\$ 9	\$		\$ 9	\$
	4,257			74,128			122,141	
	1			780			781	
							1	
				8,842			8,887	
	11			33,918			34,115	
				64,835			64,835	
				170,116			170,127	
	4,269			352,628			400,896	
			3,999	3,564	435	3,999	3,564	435
			713	586	127	713	586	127
			1,103	908	195	1,103	908	195
4,176	4,135	41				48,659	46,885	1,774
						1,753	20	1,733
			669	151	518	669	151	518
			40,354	31,629	8,725	40,354	31,629	8,725
			331	272	59	331	272	59
			309	271	38	309	271	38
			146,922	113,484	33,438	146,922	113,484	33,438
			14,994	12,606	2,388	14,994	12,606	2,388
			149,905	113,315	36,590	149,905	113,315	36,590
4,176	4,135	41	359,299	276,786	82,513	409,711	323,691	86,020
	134			75,842			77,205	
	15,282			192,002			335,481	
				(73,788)			(73,790)	
	(425)			118			26,963	
	\$ 14,991	\$	\$	\$ 194,174	\$	\$	\$ 365,859	\$

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

Fleet Management Fund - accounts for expenses incurred and reimbursements received by the Transportation Cabinet for the management and maintenance of the state's motor vehicle fleet.

Computer Services Fund - accounts for expenses incurred and reimbursements received by the Department of Information Systems for computer and related data processing services.

Prison Industries Fund - accounts for expenses incurred and reimbursements received by the Correction Cabinet's industrial prison operations.

Central Printing Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

Property Management Fund - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

Risk Management Fund - accounts for the self insurance operations of the State which include:

Fire and Tornado Insurance Program - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

State Workers' Compensation Program - accounts for monies received by the Department of Personnel from State agencies and expended for claims for job related injuries to State employees.

Transportation Cabinet's Self-Insured Workers' Compensation Trust Program - provides workers' compensation insurance for the employees of the Transportation Cabinet.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Fleet Management	Computer Services
<u>ASSETS</u>		
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 1,010	\$ 3,684
RECEIVABLES, NET	205	117
INTERFUND RECEIVABLES	447	7,256
INVENTORIES		149
PREPAID EXPENSES		700
TOTAL CURRENT ASSETS	1,662	11,906
OTHER ASSETS:		
LONG-TERM INVESTMENTS	8,318	203
TOTAL OTHER ASSETS	8,318	203
FIXED ASSETS:		
LAND		
IMPROVEMENTS OTHER THAN BUILDINGS		356
BUILDINGS		6,920
MACHINERY AND EQUIPMENT	70,699	68,882
LESS: ACCUMULATED DEPRECIATION	(43,228)	(63,478)
CONSTRUCTION IN PROGRESS		
TOTAL FIXED ASSETS, NET	27,471	12,680
TOTAL ASSETS	\$ 37,451	\$ 24,789
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES:		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 1,020	\$ 4,639
INTERFUND PAYABLES	380	165
CLAIMS LIABILITY		
CAPITAL LEASE OBLIGATIONS	1,983	1,441
COMPENSATED ABSENCES		2,340
DEFERRED REVENUE	91	997
TOTAL CURRENT LIABILITIES	3,474	9,582
LONG-TERM LIABILITIES:		
CLAIMS LIABILITY		
CAPITAL LEASE OBLIGATIONS	1,237	710
COMPENSATED ABSENCES		2,262
TOTAL LONG-TERM LIABILITIES	1,237	2,972
TOTAL LIABILITIES	4,711	12,554
FUND EQUITY:		
CONTRIBUTED CAPITAL	5,718	
RETAINED EARNINGS:		
UNRESERVED	27,022	12,235
TOTAL FUND EQUITY	32,740	12,235
TOTAL LIABILITIES AND FUND EQUITY	\$ 37,451	\$ 24,789

Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 1999
\$ 4,137	\$ 350	\$ 1,587	\$ 1,820	\$ 12,588
100	4	7	91	524
737	237	568	16	9,261
3,435	349			3,933
			584	1,284
8,409	940	2,162	2,511	27,590
1,601	133	622	23,105	33,982
1,601	133	622	23,105	33,982
768		269		1,037
		11		367
2,760		755		10,435
3,672	1,557	1,415		146,225
(4,364)	(1,349)	(1,294)		(113,713)
308				308
3,144	208	1,156		44,659
\$ 13,154	\$ 1,281	\$ 3,940	\$ 25,616	\$ 106,231
\$ 310	\$ 178	\$ 854	\$ 3,728	\$ 10,729
48	1	25	2,962	3,581
	7		10,278	10,278
194	186	606	24	3,431
15	72	6	80	3,350
567	444	1,491	17,072	1,261
			60,218	32,630
222	168	481		60,218
222	168	481	60,218	1,947
789	612	1,972	77,290	3,133
196		462		65,298
12,169	669	1,506	(51,674)	97,928
12,365	669	1,968	(51,674)	6,376
\$ 13,154	\$ 1,281	\$ 3,940	\$ 25,616	\$ 1,927
				8,303
				106,231

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Fleet Management	Computer Services
OPERATING REVENUES:		
CHARGES FOR SERVICES	\$ 19,351	\$ 50,338
INCREASE (DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS	(46)	90
OTHER REVENUES		231
TOTAL OPERATING REVENUE	19,305	50,659
OPERATING EXPENSES:		
PERSONAL SERVICES	1,408	30,452
UTILITIES, RENTALS, AND OTHER SERVICES	2,404	12,380
COMMODITIES AND SUPPLIES	4,302	4
GRANTS AND SUBSIDIES		
DEPRECIATION AND AMORTIZATION	8,804	2,168
TRAVEL	8	182
REINSURANCE EXPENSE		
CLAIMS EXPENSE		
TOTAL OPERATING EXPENSES	16,926	45,186
OPERATING INCOME (LOSS)	2,379	5,473
NONOPERATING REVENUES (EXPENSES):		
GAIN (LOSS) ON SALE OF FIXED ASSETS	677	(29)
INTEREST AND OTHER INVESTMENT INCOME	14	
INTEREST EXPENSE	(462)	(66)
OTHER REVENUE (EXPENSES)		
TOTAL NONOPERATING REVENUES AND EXPENSES	229	(95)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,608	5,378
OPERATING TRANSFERS IN		2,122
OPERATING TRANSFERS OUT		(502)
NET INCOME (LOSS)	2,608	6,998
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	5,236	
INCREASE (DECREASE) IN RETAINED EARNINGS	7,844	6,998
RETAINED EARNINGS AT JULY 1	19,178	5,237
RETAINED EARNINGS AT JUNE 30	\$ 27,022	\$ 12,235

Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 1999
\$ 15,499	\$ 5,185	\$ 18,223	\$ 26,160	\$ 134,756
47	11	44	(126)	20
31		80	414	756
15,577	5,196	18,347	26,448	135,532
3,087	2,371	9,810	2,176	49,304
746	1,457	7,249	709	24,945
7,938	1,330	2,689	35	16,298
820		(3)		817
246	118	159		11,495
57	6	140	33	426
			918	918
		1	13,924	13,925
12,894	5,282	20,045	17,795	118,128
2,683	(86)	(1,698)	8,653	17,404
3		13		664
2		1		17
	(2)			(530)
5	(2)	14		151
2,688	(88)	(1,684)	8,653	17,555
298		2,466		4,886
			(3,111)	(3,613)
2,986	(88)	782	5,542	18,828
42		29		5,307
3,028	(88)	811	5,542	24,135
9,141	757	695	(57,216)	(22,208)
\$ 12,169	\$ 669	\$ 1,506	\$ (51,674)	\$ 1,927

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Fleet Management	Computer Services
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$	\$ 219
CASH RECEIVED FROM CUSTOMERS - STATE	19,085	46,753
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(5,821)	(12,549)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(1,416)	(29,756)
CASH PAYMENTS FOR CLAIMS EXPENSE		
CASH PAYMENTS (TO) FROM OTHER SOURCES		231
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,848	4,898
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
RESIDUAL EQUITY TRANSFER IN (OUT)		2,122
OPERATING TRANSFERS-IN FROM OTHER FUNDS		(502)
OPERATING TRANSFERS-OUT TO OTHER FUNDS		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		1,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,855)	(4,716)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(1,876)	
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(284)	(66)
PROCEEDS FROM SALE OF CAPITAL ASSETS	677	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,338)	(4,782)
CASH FLOW FROM INVESTING ACTIVITIES:		
PURCHASE OF INVESTMENT SECURITIES	(6,684)	
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		1,188
INTEREST AND DIVIDENDS ON INVESTMENTS	42	90
NET CASH USED IN INVESTING ACTIVITIES	(6,642)	1,278
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	868	3,014
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	142	670
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,010	\$ 3,684
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
OPERATING INCOME (LOSS)	\$ 2,379	\$ 5,473
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	8,804	2,168
INTEREST AND OTHER INVESTMENT INCOME	(88)	
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)		
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS		
RECEIVABLES, NET	(176)	78
INTERFUND RECEIVABLES	(90)	(2,418)
FAIR MARKET VALUE OF INVESTMENTS	46	(90)
INVENTORIES		202
PREPAID EXPENSES		51
OTHER ASSETS		
INCREASE (DECREASE) IN LIABILITIES		
ACCOUNTS PAYABLE	733	325
INTERFUND PAYABLES	166	(743)
CLAIMS LIABILITY		
COMPENSATED ABSENCES		878
OTHER LIABILITIES		
DEFERRED REVENUE	74	(1,026)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,848	\$ 4,898

THROUGH CONTRIBUTED CAPITAL PRISON INDUSTRIES ACQUIRED ASSETS COSTING \$6,(000). THROUGH CAPITAL LEASES CENTRAL PRINTING ACQUIRED FIXED ASSETS COSTING \$83,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$7,(000) AND \$1,(000), RESPECTIVELY.

Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 1999
\$ 3,579	\$	\$ 8	\$	\$ 3,806
13,031	5,378	17,916	25,020	127,183
(9,095)	(2,900)	(10,012)	(1,768)	(42,145)
(3,065)	(2,336)	(9,977)	(464)	(47,014)
(789)		(1)	(15,762)	(15,763)
3,661	142	80	(962)	(1,440)
		(1,986)	6,064	24,627
				2,122
298		2,466		2,262
			(3,111)	(3,111)
298		2,466	(3,111)	1,273
(242)	(89)	(26)		(7,928)
	(2)			(1,876)
		13		(352)
		(13)		690
(242)	(91)			(9,466)
(782)			(3,108)	(10,574)
	42	87		1,317
49	11	45	296	533
(733)	53	132	(2,812)	(8,724)
2,984	104	599	141	7,710
1,153	246	988	1,679	4,878
\$ 4,137	\$ 350	\$ 1,587	\$ 1,820	\$ 12,588
\$ 2,683	\$ (86)	\$ (1,698)	\$ 8,653	\$ 17,404
246	118	159		11,495
2		(1)	(421)	(508)
(2)		13		11
104	8	96	1,220	1,330
1,321	115	(393)	(3)	(1,468)
(47)	(11)	(44)	125	(21)
	(61)		42	141
				93
(403)	(49)	60	(574)	92
(8)	(3)	(150)	529	(209)
			(3,518)	(3,518)
79	41	(27)	3	974
(314)	70	(1)	8	(1,189)
\$ 3,661	\$ 142	\$ (1,986)	\$ 6,064	\$ 24,627

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Budget	Actual	Variance
TRANSPORTATION - FLEET MANAGEMENT			
REVENUES:			
OTHER REVENUES	\$	\$ 20,014	\$
TOTAL REVENUES		20,014	
EXPENSES:	42,311	13,540	28,771
EXCESS OF REVENUES OVER (UNDER) EXPENSES		6,474	
FUND EQUITY AT JULY 1		34,911	
FIXED ASSET ALLOCATIONS		817	
FUND EQUITY AT JUNE 30	\$	\$ 42,202	\$
GENERAL GOVERNMENT - COMPUTER SERVICES			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 48,463	\$
OTHER REVENUES		232	
TRANSFERS IN (INTERFUND)		35	
TOTAL REVENUES		48,730	
EXPENSES:	50,119	46,974	3,145
EXCESS OF REVENUES OVER (UNDER) EXPENSES		1,756	
FUND EQUITY AT JULY 1		11,057	
NON-BUDGETED ITEMS		(840)	
FIXED ASSET ALLOCATIONS		715	
FUND EQUITY AT JUNE 30	\$	\$ 12,688	\$
JUSTICE - PRISON INDUSTRIES			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 16,065	\$
OTHER REVENUES		42	
TOTAL REVENUES		16,107	
EXPENSES:	14,669	12,774	1,895
EXCESS OF REVENUES OVER (UNDER) EXPENSES		3,333	
FUND EQUITY AT JULY 1		6,078	
FIXED ASSET ALLOCATIONS		(33)	
FUND EQUITY AT JUNE 30	\$	\$ 9,378	\$
GENERAL GOVERNMENT - CENTRAL PRINTING			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 5,257	\$
TOTAL REVENUES		5,257	
EXPENSES:	5,268	5,263	5
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(6)	
FUND EQUITY AT JULY 1		1,104	
FIXED ASSET ALLOCATIONS		(131)	
FUND EQUITY AT JUNE 30	\$	\$ 967	\$
GENERAL GOVERNMENT - PROPERTY MANAGEMENT			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 18,222	\$
OTHER REVENUES		68	
TOTAL REVENUES		18,290	
EXPENSES:	18,964	17,278	1,686
EXCESS OF REVENUES OVER (UNDER) EXPENSES		1,012	
FUND EQUITY AT JULY 1		2,849	
FIXED ASSET ALLOCATIONS		(34)	
FUND EQUITY AT JUNE 30	\$	\$ 3,827	\$

	Budget	Actual	Variance
GENERAL GOVERNMENT - RISK MANAGEMENT			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 17,056	\$
INTEREST AND INVESTMENT INCOME		421	
OTHER REVENUES		5,611	
TRANSFERS IN (INTERFUND)		200	
TOTAL REVENUES		23,288	
EXPENSES:			
PERSONNEL CABINET	16,872	14,392	2,480
PUBLIC PROTECTION CABINET	603	555	48
TOTAL EXPENSES	17,475	14,947	2,528
EXCESS OF REVENUES OVER (UNDER) EXPENSES		8,341	
FUND EQUITY AT JULY 1		19,285	
NON-BUDGETED ITEMS		(5,552)	
FUND EQUITY AT JUNE 30	\$	\$ 22,074	\$
TOTALS			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 105,063	\$
INTEREST AND OTHER INVESTMENT INCOME		421	
OTHER REVENUES		25,967	
TRANSFERS IN		235	
TOTAL REVENUES		131,686	
EXPENSES:			
TRANSPORTATION	42,311	13,540	28,771
GENERAL GOVERNMENT	91,223	83,907	7,316
JUSTICE	14,669	12,774	1,895
PUBLIC PROTECTION AND REGULATION	603	555	48
TOTAL EXPENSES	148,806	110,776	38,030
EXCESS OF REVENUES OVER (UNDER) EXPENSES		20,910	
FUND EQUITY AT JULY 1		75,284	
NON-BUDGETED ITEMS		(6,392)	
FIXED ASSET ALLOCATIONS		1,334	
FUND EQUITY AT JUNE 30	\$	\$ 91,136	\$

TRUST AND AGENCY FUNDS

Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

Expendable Trust Funds account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

Unemployment Compensation Fund - accounts for assessed employer contributions and related unemployment compensation payments.

Special Benefits Fund - accounts for other fiduciary monies to be expended only for designated operations.

Pension Trust Funds account for monies received for and expenses incurred by the various public employee retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

Kentucky Employees Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employees of any State department, board or agency directed by Executive Order to participate in the system.

State Police Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

County Employees Retirement System Fund - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

Kentucky Retirement System Insurance Fund - accounts for accident and health insurance benefits for members of the Kentucky Employees, State Police and County Employees Retirement Systems.

Teachers' Retirement System Fund - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

Judicial Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

Legislators' Retirement System Fund - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

Agency Funds account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

Kentucky Health Purchasing Alliance - accounts for insurance premiums collected from various state and local government units through a third party administrator.

Commonwealth Choice - accounts for flexible benefits spending accounts.

County Sinking Fund - accounts for monies generated through the sale of bonds for specific uses by the counties.

Special Deposit Trust Fund - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
ALL TRUST AND AGENCY FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	<u>Expendable Trust Funds</u>	
	<u>Unemployment Compensation</u>	<u>Special Benefits</u>
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ 4	\$ 50,445
CASH WITH FISCAL AGENTS		
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT	674,330	
INVESTMENTS, NET OF AMORTIZATION		714,349
RECEIVABLES, NET	34,786	4,333
INTERFUND RECEIVABLES		11,399
PREPAID EXPENSES		
BUILDINGS		
TOTAL ASSETS	<u>\$ 709,120</u>	<u>\$ 780,526</u>
<u>LIABILITIES AND FUND EQUITY</u>		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 53,795	\$ 6,732
INTERFUND PAYABLES	1,716	42,691
AMOUNTS HELD IN CUSTODY FOR OTHERS		
DEFERRED REVENUE	31,351	2,780
OTHER LIABILITIES		
TOTAL LIABILITIES	<u>86,862</u>	<u>52,203</u>
FUND EQUITY		
FUND BALANCE:		
RESERVED FOR:		
EMPLOYEE RETIREMENT SYSTEMS		
RETIREE'S HEALTH INSURANCE		
UNRESERVED:		
UNDESIGNATED	622,258	728,323
TOTAL FUND EQUITY	<u>622,258</u>	<u>728,323</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 709,120</u>	<u>\$ 780,526</u>

Agency Funds				
Pension Trust	Commonwealth Choice Program	County Sinking Fund	Special Deposit Trust	Totals June 30, 1999
\$ 1,605,935	\$ 9,753	\$ 2 283	\$ 126,196	\$ 1,782,582 10,036 674,330
25,471,734		66	34,843	26,220,992
236,598		1	50,748	326,466 11,399
222				222
3,145				3,145
<u>\$ 27,317,634</u>	<u>\$ 9,753</u>	<u>\$ 352</u>	<u>\$ 211,787</u>	<u>\$ 29,029,172</u>
\$ 577,005	\$ 9,753	\$ 352	\$ 40 211,747	\$ 637,532 44,447 221,852 34,131
<u>837,583</u>				<u>837,583</u>
<u>1,414,588</u>	<u>9,753</u>	<u>352</u>	<u>211,787</u>	<u>1,775,545</u>
25,009,987				25,009,987
893,059				893,059
				1,350,581
<u>25,903,046</u>				<u>27,253,627</u>
<u>\$ 27,317,634</u>	<u>\$ 9,753</u>	<u>\$ 352</u>	<u>\$ 211,787</u>	<u>\$ 29,029,172</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Kentucky Employees Retirement System			
	Non-Hazardous Duty		Hazardous Duty	
	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
<u>ASSETS</u>				
CASH AND SHORT-TERM INVESTMENTS				
CASH	\$	\$	\$	\$
SHORT-TERM INVESTMENTS	256,052	19,162	34,078	5,773
TOTAL CASH AND SHORT-TERM INVESTMENTS	<u>\$ 256,052</u>	<u>\$ 19,162</u>	<u>\$ 34,078</u>	<u>\$ 5,773</u>
RECEIVABLES				
INVESTMENTS - ACCOUNTS RECEIVABLE	\$ 4	\$ 4	\$	\$ 1
INTEREST RECEIVABLE	19,179	1,218	909	313
ACCOUNTS RECEIVABLE	32,023	4,871	2,069	933
TOTAL RECEIVABLES	<u>\$ 51,206</u>	<u>\$ 6,093</u>	<u>\$ 2,978</u>	<u>\$ 1,247</u>
INVESTMENTS AT FAIR VALUE				
CORPORATE AND GOVERNMENT BONDS	\$ 1,135,736	\$ 65,342	\$ 57,434	\$ 17,019
COMMON STOCKS	3,932,630	217,809	159,754	56,795
MORTGAGES	254,970	7,076	10,443	1,814
REAL ESTATE	222,820		15,373	
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 5,546,156</u>	<u>\$ 290,227</u>	<u>\$ 243,004</u>	<u>\$ 75,628</u>
INVESTED SECURITY COLLATERAL	491,421	23,691	23,427	6,695
FIXED ASSETS, NET				
PREPAID EXPENSES				
TOTAL ASSETS	<u>\$ 6,344,835</u>	<u>\$ 339,173</u>	<u>\$ 303,487</u>	<u>\$ 89,343</u>
<u>LIABILITIES</u>				
INVESTMENT - ACCOUNTS PAYABLE	\$ 11,582	\$ 44	\$ 1,161	\$ 10
ACCOUNTS PAYABLE		32		3
OBLIGATIONS UNDER SECURITIES LENDING	491,421	23,691	23,427	6,695
TOTAL LIABILITIES	<u>503,003</u>	<u>23,767</u>	<u>24,588</u>	<u>6,708</u>
NET ASSETS HELD FOR:				
EMPLOYEE RETIREMENT BENEFITS	5,841,832		278,899	
RETIREE'S HEALTH INSURANCE	<u>\$</u>	<u>\$ 315,406</u>	<u>\$</u>	<u>\$ 82,635</u>

State Police Retirement System		County Employees Retirement System			
		Non-Hazardous Duty		Hazardous Duty	
Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
\$	\$	\$	\$	\$	\$
13,395	3,818	234,378	17,079	74,762	8,149
\$ 13,395	\$ 3,818	\$ 234,378	\$ 17,079	\$ 74,762	\$ 8,149
\$	\$	\$	\$	\$	\$
1,226	231	14,930	985	3,955	462
968	626	32,436	5,326	11,141	6,785
\$ 2,194	\$ 858	\$ 47,369	\$ 6,314	\$ 15,097	\$ 7,248
\$	\$	\$	\$	\$	\$
66,733	12,521	913,644	52,720	243,155	26,224
291,150	41,981	2,930,593	175,575	798,862	87,475
16,269	1,320	183,736	5,661	50,139	2,980
17,607		172,373		51,617	
\$ 391,759	\$ 55,822	\$ 4,200,346	\$ 233,956	\$ 1,143,773	\$ 116,679
35,331	4,803	388,069	19,625	105,635	10,243
\$ 442,679	\$ 65,301	\$ 4,870,162	\$ 276,974	\$ 1,339,267	\$ 142,319
\$	\$	\$	\$	\$	\$
754	8	8,678	31	7,474	15
35,331	2	388,069	15	105,635	19
	4,803		19,625		10,243
36,085	4,813	396,747	19,671	113,109	10,277
406,594		4,473,415		1,226,158	
\$ 406,594	\$ 60,488	\$ 4,473,415	\$ 257,303	\$ 1,226,158	\$ 132,042

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1999
	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	
<u>ASSETS</u>					
CASH AND SHORT-TERM INVESTMENTS					
CASH	\$ (1,041)	\$	\$	\$ 3	\$ (1,038)
SHORT-TERM INVESTMENTS	856,119	49,581	28,869	5,758	1,606,973
TOTAL CASH AND SHORT-TERM INVESTMENTS	<u>\$ 855,078</u>	<u>\$ 49,581</u>	<u>\$ 28,869</u>	<u>\$ 5,761</u>	<u>\$ 1,605,935</u>
RECEIVABLES					
INVESTMENTS - ACCOUNTS RECEIVABLE	\$ 66,400	\$	\$	\$	\$ 66,418
INTEREST RECEIVABLE			1,289	373	45,070
ACCOUNTS RECEIVABLE	26,038	1,838	48	8	125,110
TOTAL RECEIVABLES	<u>\$ 92,438</u>	<u>\$ 1,838</u>	<u>\$ 1,337</u>	<u>\$ 381</u>	<u>\$ 236,598</u>
INVESTMENTS AT FAIR VALUE					
CORPORATE AND GOVERNMENT BONDS	\$ 4,174,460	\$	\$ 64,224	\$ 18,396	\$ 6,847,608
COMMON STOCKS	6,921,494		150,875	38,477	15,803,470
MORTGAGES	243,379				777,787
REAL ESTATE	196,461				676,251
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 11,535,794</u>	<u>\$</u>	<u>\$ 215,099</u>	<u>\$ 56,873</u>	<u>\$ 24,105,116</u>
INVESTED SECURITY COLLATERAL	257,678				1,366,618
FIXED ASSETS, NET	3,145				3,145
PREPAID EXPENSES	222				222
TOTAL ASSETS	<u>\$ 12,744,355</u>	<u>\$ 51,419</u>	<u>\$ 245,305</u>	<u>\$ 63,015</u>	<u>\$ 27,317,634</u>
<u>LIABILITIES</u>					
INVESTMENT - ACCOUNTS PAYABLE	\$ 7,156	\$	\$	\$	\$ 36,913
ACCOUNTS PAYABLE	4,752	6,234			540,092
OBLIGATIONS UNDER SECURITIES LENDING	257,678				837,583
TOTAL LIABILITIES	<u>269,586</u>	<u>6,234</u>			<u>1,414,588</u>
NET ASSETS HELD FOR:					
EMPLOYEE RETIREMENT BENEFITS	12,474,769		245,305	63,015	25,009,987
RETIREE'S HEALTH INSURANCE	<u>\$</u>	<u>\$ 45,185</u>	<u>\$</u>	<u>\$</u>	<u>\$ 893,059</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Unemployment Compensation	Special Benefits	Totals June 30, 1999
REVENUES:			
TAXES	\$ 244,823	\$ 1,711	\$ 246,534
INTERGOVERNMENTAL	5,495	4,326	9,821
CHARGES FOR SERVICES	10	7,290	7,300
INTEREST AND OTHER INVESTMENT INCOME	42,200	63,445	105,645
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS		(2,298)	(2,298)
OTHER REVENUES	5,720	70,402	76,122
TOTAL REVENUES	298,248	144,876	443,124
EXPENDITURES:			
GENERAL GOVERNMENT		217,572	217,572
LEGISLATIVE AND JUDICIAL		70	70
COMMERCE			
EDUCATION AND HUMANITIES	237,491	34,301	271,792
HUMAN RESOURCES		4,615	4,615
JUSTICE		16	16
TRANSPORTATION		11,181	11,181
TOTAL EXPENDITURES	237,491	267,755	505,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,757	(122,879)	(62,122)
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS IN		311,344	311,344
OPERATING TRANSFERS OUT	(1,710)	(149,855)	(151,565)
TOTAL OTHER FINANCING SOURCES (USES)	(1,710)	161,489	159,779
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	59,047	38,610	97,657
FUND BALANCES AT JULY 1, AS RESTATED	563,211	689,713	1,252,924
FUND BALANCES AT JUNE 30	\$ 622,258	\$ 728,323	\$ 1,350,581

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Kentucky Employees Retirement System			
	Non-Hazardous Duty		Hazardous Duty	
	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
ADDITIONS				
CONTRIBUTIONS				
EMPLOYER	\$ 107,515	\$ 56,770	\$ 19,444	\$ 10,774
EMPLOYEE	141,399		8,323	
TOTAL CONTRIBUTIONS	248,914	56,770	27,767	10,774
INVESTMENT INCOME				
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	657,775	24,999	27,750	6,623
INTEREST	90,021	5,202	5,325	1,392
DIVIDENDS	49,571	2,542	2,000	656
REAL ESTATE OPERATING INCOME, NET	16,619		782	
SECURITIES LENDING INCOME	33,191	3,025	967	781
TOTAL INVESTMENT INCOME	847,177	35,768	36,824	9,452
LESS: INVESTMENT EXPENSE	2,191	33	104	9
LESS: SECURITIES LENDING EXPENSE	32,450	2,957	945	763
NET INVESTMENT INCOME	812,536	32,778	35,775	8,680
TOTAL ADDITIONS	1,061,450	89,548	63,542	19,454
DEDUCTIONS				
BENEFIT PAYMENTS	204,302		5,037	
REFUNDS	8,275		893	
ADMINISTRATIVE EXPENSES	3,141	59	245	5
OTHER DEDUCTIONS, NET	56,900	24,481	10,796	1,284
TOTAL DEDUCTIONS	272,618	24,540	16,971	1,289
NET INCREASE (DECREASE)	788,832	65,008	46,571	18,165
NET ASSETS HELD IN TRUST				
BEGINNING OF YEAR	5,053,000	250,398	232,328	64,470
END OF YEAR	\$ 5,841,832	\$ 315,406	\$ 278,899	\$ 82,635

State Police Retirement System		County Employees Retirement System			
		Non-Hazardous Duty		Hazardous Duty	
Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
\$ 9,463	\$ 7,252	\$ 110,591	\$ 47,902	\$ 48,291	\$ 23,383
3,658		98,566		22,918	
13,121	7,252	209,157	47,902	71,209	23,383
46,195	5,041	493,703	20,193	133,432	10,290
5,641	1,011	70,891	4,215	20,104	2,088
3,656	512	37,184	2,025	10,178	1,060
1,311		11,879		3,137	
2,069	595	24,846	2,414	6,335	1,243
58,872	7,159	638,503	28,847	173,186	14,681
153	6	1,676	26	474	13
2,023	582	24,291	2,360	6,194	1,216
56,696	6,571	612,536	26,461	166,518	13,452
69,817	13,823	821,693	74,363	237,727	36,835
19,136		121,932		43,175	
44		9,941		983	
62	7	4,841	52	465	25
7,299	2,747	48,067	17,492	23,553	8,272
26,541	2,754	184,781	17,544	68,176	8,297
43,276	11,069	636,912	56,819	169,551	28,538
363,318	49,419	3,836,503	200,484	1,056,607	103,504
\$ 406,594	\$ 60,488	\$ 4,473,415	\$ 257,303	\$ 1,226,158	\$ 132,042

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1999
	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	
ADDITIONS					
CONTRIBUTIONS					
EMPLOYER	\$ 288,544	\$ 46,168	\$ 6,408	\$ 1,794	\$ 784,299
EMPLOYEE	194,747	34,580	1,252	218	505,661
TOTAL CONTRIBUTIONS	483,291	80,748	7,660	2,012	1,289,960
INVESTMENT INCOME					
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	856,904		18,595	5,088	2,306,588
INTEREST	318,862	2,306	5,587	1,414	534,059
DIVIDENDS	85,381		1,862	422	197,049
REAL ESTATE OPERATING INCOME, NET	17,268				50,996
SECURITIES LENDING INCOME	23,220				98,686
TOTAL INVESTMENT INCOME	1,301,635	2,306	26,044	6,924	3,187,378
LESS: INVESTMENT EXPENSE	4,174		152	9	9,020
LESS: SECURITIES LENDING EXPENSE	22,653				96,434
NET INVESTMENT INCOME	1,274,808	2,306	25,892	6,915	3,081,924
TOTAL ADDITIONS	1,758,099	83,054	33,552	8,927	4,371,884
DEDUCTIONS					
BENEFIT PAYMENTS	547,387		6,794	1,845	949,608
REFUNDS	9,086	3	3	19	29,247
ADMINISTRATIVE EXPENSES	4,523	2,729	137	87	16,378
OTHER DEDUCTIONS, NET		67,625			268,516
TOTAL DEDUCTIONS	560,996	70,357	6,934	1,951	1,263,749
NET INCREASE (DECREASE)	1,197,103	12,697	26,618	6,976	3,108,135
NET ASSETS HELD IN TRUST					
BEGINNING OF YEAR	11,277,666	32,488	218,687	56,039	22,794,911
END OF YEAR	\$ 12,474,769	\$ 45,185	\$ 245,305	\$ 63,015	\$ 25,903,046

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Balance			Balance
	July 1, 1998	Additions	Deductions	June 30, 1999
<u>KENTUCKY HEALTH PURCHASING ALLIANCE</u>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 2,471	\$	\$ 2,471	\$
TOTAL ASSETS	<u>\$ 2,471</u>	<u>\$</u>	<u>\$ 2,471</u>	<u>\$</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 2,471	\$	\$ 2,471	\$
TOTAL LIABILITIES	<u>\$ 2,471</u>	<u>\$</u>	<u>\$ 2,471</u>	<u>\$</u>
<u>COMMONWEALTH CHOICE PROGRAM</u>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 6,325	\$ 14,133	\$ 10,705	\$ 9,753
TOTAL ASSETS	<u>\$ 6,325</u>	<u>\$ 14,133</u>	<u>\$ 10,705</u>	<u>\$ 9,753</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 6,325	\$ 14,133	\$ 10,705	\$ 9,753
TOTAL LIABILITIES	<u>\$ 6,325</u>	<u>\$ 14,133</u>	<u>\$ 10,705</u>	<u>\$ 9,753</u>
<u>COUNTY SINKING FUND</u>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 5	\$ 132	\$ 135	\$ 2
CASH WITH FISCAL AGENTS	283			283
INVESTMENTS	63	70	67	66
ACCOUNTS RECEIVABLE	1	1	1	1
TOTAL ASSETS	<u>\$ 352</u>	<u>\$ 203</u>	<u>\$ 203</u>	<u>\$ 352</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 352	\$ 2	\$ 2	\$ 352
TOTAL LIABILITIES	<u>\$ 352</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 352</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Balance		Balance	
	July 1, 1998	Additions	Deductions	June 30, 1999
<u>SPECIAL DEPOSIT TRUST FUND</u>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 99,692	\$ 1,868,800	\$ 1,842,296	\$ 126,196
INVESTMENTS	1,091	34,842	1,090	34,843
ACCOUNTS RECEIVABLE	82,936	122,704	154,892	50,748
INTERFUND RECEIVABLES				
TOTAL ASSETS	<u>\$ 183,719</u>	<u>\$ 2,026,346</u>	<u>\$ 1,998,278</u>	<u>\$ 211,787</u>
<u>LIABILITIES</u>				
INTERFUND PAYABLES	\$ 33	\$ 40	\$ 33	\$ 40
AMOUNTS HELD IN CUSTODY FOR OTHERS	183,686	1,675,538	1,647,477	211,747
TOTAL LIABILITIES	<u>\$ 183,719</u>	<u>\$ 1,675,578</u>	<u>\$ 1,647,510</u>	<u>\$ 211,787</u>
<u>ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 99,697	\$ 1,868,932	\$ 1,842,431	\$ 126,198
CASH WITH FISCAL AGENTS	9,079	14,133	13,176	10,036
INVESTMENTS	1,154	34,912	1,157	34,909
ACCOUNTS RECEIVABLE	82,937	122,705	154,893	50,749
INTERFUND RECEIVABLES				
TOTAL ASSETS	<u>\$ 192,867</u>	<u>\$ 2,040,682</u>	<u>\$ 2,011,657</u>	<u>\$ 221,892</u>
<u>LIABILITIES</u>				
INTERFUND PAYABLES	33	40	33	40
AMOUNTS HELD IN CUSTODY FOR OTHERS	192,834	1,689,673	1,660,655	221,852
TOTAL LIABILITIES	<u>\$ 192,867</u>	<u>\$ 1,689,713</u>	<u>\$ 1,660,688</u>	<u>\$ 221,892</u>

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Unemployment Compensation		
	Budget	Actual	Variance
REVENUES:			
INTERGOVERNMENTAL	\$	\$ 18,477	\$
CHARGES FOR SERVICES		10	
INTEREST AND OTHER INVESTMENT INCOME		31,485	
EMPLOYER CONTRIBUTIONS		251,621	
OTHER REVENUES		2,212	
TOTAL REVENUES		303,805	
EXPENDITURES:			
WORKFORCE DEVELOPMENT			
DEPARTMENT FOR EMPLOYMENT SERVICES -			
UNEMPLOYMENT INSURANCE BENEFITS	253,086	252,937	149
TOTAL WORKFORCE DEVELOPMENT	253,086	252,937	149
TOTAL EXPENDITURES	253,086	252,937	149
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		50,868	
FUND BALANCE AT JULY 1		615,646	
NON-BUDGETED ITEMS		(3,210)	
FUND BALANCE AT JUNE 30	\$	\$ 663,304	\$

GENERAL FIXED ASSETS ACCOUNT GROUP

The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and discretely presented component units.

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
JUNE 30, 1999
(Expressed In Thousands)

	<u>June 30, 1999</u>
GENERAL FIXED ASSETS:	
LAND	\$ 77,958
BUILDINGS	666,424
MACHINERY AND EQUIPMENT	292,250
CONSTRUCTION IN PROGRESS	155,995
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,192,627</u>
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
GENERAL FUND REVENUES	\$ 74,305
SPECIAL REVENUE FUNDS REVENUE	265,529
DONATIONS	68,583
OTHER	9,359
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	48,264
REVENUE BONDS	373,419
FEDERAL GRANTS	41,304
OTHER	4,232
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984 (A)	307,632
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 1,192,627</u>

(A) FIXED ASSETS WITH AN UNDETERMINED FUNDING SOURCE ACQUIRED PRIOR TO JULY 1, 1984

COMMONWEALTH OF KENTUCKY
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 1999

(Expressed in Thousands)

FUNCTION AND ACTIVITY		Land	Buildings	Machinery and Equipment	Totals June 30, 1999
GENERAL GOVERNMENT:					
CABINET FOR GENERAL GOVERNMENT	(A)	\$ 6,837	\$ 99,857	\$ 10,045	\$ 116,739
REVENUE CABINET				5,524	5,524
FINANCE & ADMINISTRATION	(A)	7,546	165,527	4,595	177,668
PERSONNEL CABINET				1,014	1,014
TOTAL GENERAL GOVERNMENT		14,383	265,384	21,178	300,945
LEGISLATIVE & JUDICIAL					
		55		12,701	12,756
COMMERCE:					
ECONOMIC DEVELOPMENT CABINET		13,599	21,507	256	35,362
TOURISM CABINET		27,215	7,138	15,675	50,028
TOTAL COMMERCE		40,814	28,645	15,931	85,390
EDUCATION & HUMANITIES:					
EDUCATION & HUMANITIES CABINET		188	25,442	9,394	35,024
WORKFORCE DEVELOPMENT CABINET	(B)	1,077	10,674	15,027	26,778
TOTAL EDUCATION & HUMANITIES		1,265	36,116	24,421	61,802
HUMAN RESOURCES					
		3,120	80,082	16,526	99,728
JUSTICE					
		4,081	192,685	53,409	250,175
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION					
		8,253	925	26,616	35,794
PUBLIC PROTECTION & REGULATION:					
PUBLIC PROTECTION & REGULATION CABINET		47	220	3,207	3,474
LABOR CABINET				2,032	2,032
TOTAL PUBLIC PROTECTION & REGULATION		47	220	5,239	5,506
TRANSPORTATION					
		5,940	62,367	116,229	184,536
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS					
		77,958	666,424	292,250	1,036,632
CONSTRUCTION IN PROGRESS					
			155,995		155,995
TOTAL GENERAL FIXED ASSETS					
		\$ 77,958	\$ 822,419	\$ 292,250	\$ 1,192,627

(A) FIXED ASSETS TOTALING \$14,938,(000) WERE PREVIOUSLY REPORTED WITHIN THE FINANCE AND ADMINISTRATION CABINET FUNCTION. THESE ASSETS ARE NOW REPORTED UNDER THE CABINET FOR GENERAL GOVERNMENT.

(B) FIXED ASSETS TOTALING \$112,787,(000) WERE PREVIOUSLY REPORTED WITHIN THE WORKFORCE DEVELOPMENT FUNCTION. THESE ASSETS ARE NOW REPORTED AS A COMPONENT UNIT - ALL UNIVERSITY AND COLLEGE FUNDS

COMMONWEALTH OF KENTUCKY
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

		Balance June 30, 1998	Additions	Retirements	Balance June 30, 1999
GENERAL GOVERNMENT:					
CABINET FOR GENERAL GOVERNMENT	(A)	\$ 115,548	\$ 2,096	\$ 905	\$ 116,739
REVENUE CABINET		5,059	597	132	5,524
FINANCE & ADMINISTRATION		176,866	1,103	301	177,668
PERSONNEL CABINET		795	219		1,014
TOTAL GENERAL GOVERNMENT		298,268	4,015	1,338	300,945
LEGISLATIVE & JUDICIAL		11,239	2,521	1,004	12,756
COMMERCE:					
ECONOMIC DEVELOPMENT CABINET		36,928	49	1,615	35,362
TOURISM CABINET		47,378	3,317	667	50,028
TOTAL COMMERCE		84,306	3,366	2,282	85,390
EDUCATION & HUMANITIES:					
EDUCATION & HUMANITIES CABINET		36,245	1,409	2,630	35,024
WORKFORCE DEVELOPMENT CABINET	(B)	27,156	2,274	2,652	26,778
TOTAL EDUCATION & HUMANITIES		63,401	3,683	5,282	61,802
HUMAN RESOURCES		97,862	2,642	776	99,728
JUSTICE		244,290	11,030	5,145	250,175
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION		33,699	3,581	1,486	35,794
PUBLIC PROTECTION & REGULATION:					
PUBLIC PROTECTION & REGULATION CABINET		2,716	866	108	3,474
LABOR CABINET		1,648	390	6	2,032
TOTAL PUBLIC PROTECTION & REGULATION		4,364	1,256	114	5,506
TRANSPORTATION		178,161	11,311	4,936	184,536
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS		1,015,590	43,405	22,363	1,036,632
CONSTRUCTION IN PROGRESS		123,124	36,888	4,017	155,995
TOTAL GENERAL FIXED ASSETS		<u>\$ 1,138,714</u>	<u>\$ 80,293</u>	<u>\$ 26,380</u>	<u>\$ 1,192,627</u>

(A) FIXED ASSETS TOTALING \$14,938,(000) WERE PREVIOUSLY REPORTED WITHIN THE FINANCE AND ADMINISTRATION CABINET FUNCTION. THESE ASSETS ARE NOW REPORTED UNDER THE CABINET FOR GENERAL GOVERNMENT.

(B) FIXED ASSETS TOTALING \$112,787,(000) WERE PREVIOUSLY REPORTED WITHIN THE WORKFORCE DEVELOPMENT FUNCTION. THESE ASSETS ARE NOW REPORTED AS A COMPONENT UNIT - ALL UNIVERSITY AND COLLEGE FUNDS

COMPONENT UNITS

Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

Governmental Funds

Bluegrass State Skills Corporation - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

Kentucky School Facilities Construction Commission - established to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs.

Proprietary Funds

Enterprise Funds

Kentucky State Fair Board - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

Kentucky Center for the Arts - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

Kentucky Educational Television Authority - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

Kentucky Economic Development Finance Authority - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

Kentucky Higher Education Assistance Authority - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

Kentucky Higher Education Student Loan Corporation - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.

Kentucky Educational Savings Plan Trust - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

Kentucky Infrastructure Authority - established in 1988 by KRS 224A.030, as amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

Kentucky Agricultural Finance Corporation - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

Kentucky Grain Insurance Corporation- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

Kentucky Local Correctional Facilities Construction Authority - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following component units are included:

Eastern Kentucky University
Kentucky State University
Morehead State University
Murray State University
Northern Kentucky University
University of Kentucky
University of Louisville
Western Kentucky University
Kentucky Community Technical College System

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 1999

(Expressed in Thousands)

	Governmental Fund Types	Proprietary Fund Types	University and College Funds	Totals June 30, 1999
<u>ASSETS</u>				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 18,620	\$ 497,140	\$ 540,836	\$ 1,056,596
RESTRICTED CASH		14,945	67,834	82,779
RECEIVABLES, NET	4,793	56,701	295,624	357,118
DUE FROM COMPONENT UNITS			147,890	147,890
INTEREST RECEIVABLE		16,165		16,165
INVENTORIES		672	25,294	25,966
PREPAID EXPENSES		1,816		1,816
OTHER ASSETS		319	282,159	282,478
TOTAL CURRENT ASSETS	23,413	587,758	1,359,637	1,970,808
OTHER ASSETS:				
LONG-TERM INVESTMENTS	2,811	307,924	665,534	976,269
LONG-TERM RECEIVABLES		1,645,899		1,645,899
AMOUNT TO BE PROVIDED	591,486			591,486
DEFERRED CHARGES		23,740		23,740
RESTRICTED ASSETS		65,622		65,622
TOTAL OTHER ASSETS	594,297	2,043,185	665,534	3,303,016
FIXED ASSETS:				
LAND		15,149	82,810	97,959
IMPROVEMENTS OTHER THAN BUILDINGS			68,391	68,391
BUILDINGS		203,672	2,191,829	2,395,501
MACHINERY AND EQUIPMENT	24	55,825	714,580	770,429
LESS ACCUMULATED DEPRECIATION		(132,677)		(132,677)
CONSTRUCTION IN PROGRESS		69,210	138,038	207,248
TOTAL FIXED ASSETS, NET	24	211,179	3,195,648	3,406,851
TOTAL ASSETS	\$ 617,734	\$ 2,842,122	\$ 5,220,819	\$ 8,680,675
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	\$ 1,692	\$ 61,670	\$ 101,061	\$ 164,423
ACCRUED LIABILITIES			82,437	82,437
DUE TO COMPONENT UNITS			147,890	147,890
DUE TO PRIMARY GOVERNMENT				
CAPITAL LEASE OBLIGATIONS				
NOTES PAYABLE		62,200		62,200
BONDS PAYABLE		75,138		75,138
COMPENSATED ABSENCES		4,079		4,079
DEFERRED REVENUE		2,454	49,580	52,034
AMOUNT HELD IN CUSTODY FOR OTHERS		9,748	3,570	13,318
DEPOSITS AND ADVANCE PAYMENTS			5,587	5,587
OTHER LIABILITIES		7,934	67,329	75,263
TOTAL CURRENT LIABILITIES	1,692	223,223	457,454	682,369
LONG-TERM LIABILITIES:				
CAPITAL LEASE OBLIGATIONS			51,770	51,770
NOTES PAYABLE			8,813	8,813
BONDS PAYABLE	591,486	1,673,776	676,417	2,941,679
COMPENSATED ABSENCES		1,164		1,164
OTHER LONG-TERM LIABILITIES		571		571
TOTAL LONG-TERM LIABILITIES	591,486	1,675,511	737,000	3,003,997
TOTAL LIABILITIES	593,178	1,898,734	1,194,454	3,686,366
FUND EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL		139,538		139,538
INVESTMENT IN FIXED ASSETS	24		2,671,578	2,671,602
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT		324,207		324,207
UNRESERVED		479,643		479,643
FUND BALANCE:				
RESERVED FOR:				
ENCUMBRANCES			16,984	16,984
CAPITAL OUTLAY			240,018	240,018
RESTRICTED GIFTS, GRANTS, AND CONTRACTS			865,450	865,450
UNRESERVED:				
DESIGNATED FOR UNIVERSITIES AND COLLEGES			232,335	232,335
UNDESIGNATED	24,532			24,532
TOTAL FUND EQUITY	24,556	943,388	4,026,365	4,994,309
TOTAL LIABILITIES AND FUND EQUITY	\$ 617,734	\$ 2,842,122	\$ 5,220,819	\$ 8,680,675

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Bluegrass State Skills Corporation	Kentucky School Facilities Construction Commission	Totals June 30, 1999
ASSETS			
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$	\$ 18,620	\$ 18,620
RESTRICTED CASH			
RECEIVABLES, NET	467	4,326	4,793
INTEREST RECEIVABLE			
INVENTORIES			
PREPAID EXPENSES			
OTHER ASSETS			
TOTAL CURRENT ASSETS	467	22,946	23,413
OTHER ASSETS:			
LONG-TERM INVESTMENTS		2,811	2,811
LONG-TERM RECEIVABLES			
AMOUNT TO BE PROVIDED		591,486	591,486
RESTRICTED ASSETS			
TOTAL OTHER ASSETS		594,297	594,297
FIXED ASSETS:			
LAND			
BUILDINGS			
MACHINERY AND EQUIPMENT	24		24
LESS: ACCUMULATED DEPRECIATION			
CONSTRUCTION IN PROGRESS			
TOTAL FIXED ASSETS, NET	24		24
TOTAL ASSETS	\$ 491	\$ 617,243	\$ 617,734
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE	\$ 638	\$ 1,054	\$ 1,692
DUE TO PRIMARY GOVERNMENT			
CAPITAL LEASE OBLIGATIONS			
NOTES PAYABLE			
BONDS PAYABLE			
COMPENSATED ABSENCES			
AMOUNT HELD IN CUSTODY FOR OTHERS			
DEFERRED REVENUE			
OTHER LIABILITIES			
TOTAL CURRENT LIABILITIES	638	1,054	1,692
LONG-TERM LIABILITIES:			
CAPITAL LEASE OBLIGATIONS			
NOTES PAYABLE			
BONDS PAYABLE		591,486	591,486
COMPENSATED ABSENCES			
OTHER LONG-TERM LIABILITIES			
TOTAL LONG-TERM LIABILITIES		591,486	591,486
TOTAL LIABILITIES	638	592,540	593,178
FUND EQUITY:			
CONTRIBUTED CAPITAL			
INVESTMENT IN FIXED ASSETS	24		24
FUND BALANCE			
RESERVED FOR:			
ENCUMBRANCES			
UNRESERVED	(171)	24,703	24,532
TOTAL FUND EQUITY	(147)	24,703	24,556
TOTAL LIABILITIES AND FUND EQUITY	\$ 491	\$ 617,243	\$ 617,734

COMMONWEALTH OF KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNITS - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Bluegrass State Skills Corporation	Kentucky School Facilities Construction Commission	Totals June 30, 1999
REVENUES:			
TAXES	\$	\$	\$
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES			
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT INCOME		969	969
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS		(91)	(91)
OTHER REVENUE		2,005	2,005
TOTAL REVENUES		2,883	2,883
EXPENDITURES:			
PERSONAL SERVICES	370	180	550
UTILITIES, RENTALS, AND OTHER SERVICES	51	14	65
COMMODITIES AND SUPPLIES	4	11	15
GRANTS AND SUBSIDIES	2,469	160,198	162,667
CAPITAL OUTLAY	24		24
TRAVEL	13	1	14
TOTAL EXPENDITURES	2,931	160,404	163,335
EXCESS OF REVENUES OVER EXPENDITURES	(2,931)	(157,521)	(160,452)
OTHER FINANCING SOURCES (USES):			
TRANSFERS FROM PRIMARY GOVERNMENT	2,926	21,438	24,364
PROCEEDS FROM REVENUE BONDS		160,198	160,198
TOTAL OTHER FINANCING SOURCES (USES)	2,926	181,636	184,562
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5)	24,115	24,110
FUND BALANCE AT JULY 1	(166)	588	422
INCREASE (DECREASE) IN INVENTORIES			
FUND BALANCE AT JUNE 30	\$ (171)	\$ 24,703	\$ 24,532

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - PROPRIETARY FUND TYPES
JUNE 30, 1999
(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
<u>ASSETS</u>					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 2,111	\$ 1,431	\$ 2,138	\$ 511	\$ 27,310
RESTRICTED CASH				14,945	
RECEIVABLES, NET	1,246	308	846		11,100
INTEREST RECEIVABLE		2		775	1,748
INVENTORIES		66	606		
PREPAID EXPENSES	607	249	563		
OTHER ASSETS					319
TOTAL CURRENT ASSETS	3,964	2,056	4,153	16,231	40,477
OTHER ASSETS:					
LONG-TERM INVESTMENTS	3,102	5,214	5,666	886	21,461
LONG-TERM RECEIVABLES				45,184	5,375
DEFERRED CHARGES	622		361		
RESTRICTED ASSETS				59,732	5,890
TOTAL OTHER ASSETS	3,724	5,214	6,027	105,802	32,726
FIXED ASSETS:					
LAND	14,072	129	32		
BUILDINGS	155,748	31,571	11,543	463	
MACHINERY AND EQUIPMENT	4,913	8,320	29,451	401	5,861
LESS: ACCUMULATED DEPRECIATION	(74,966)	(17,703)	(30,437)	(853)	(3,770)
CONSTRUCTION IN PROGRESS	67,716		1,494		
TOTAL FIXED ASSETS, NET	167,483	22,317	12,083	11	2,091
TOTAL ASSETS	\$ 175,171	\$ 29,587	\$ 22,263	\$ 122,044	\$ 75,294
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,225	\$ 546	\$ 1,059	\$ 54	\$ 10,565
DUE TO PRIMARY GOVERNMENT					
CAPITAL LEASE OBLIGATIONS					
NOTES PAYABLE					
BONDS PAYABLE					
COMPENSATED ABSENCES	722		1,533		
AMOUNT HELD IN CUSTODY FOR OTHERS		1,178			
DEFERRED REVENUE	2,219		183		
OTHER LIABILITIES					
TOTAL CURRENT LIABILITIES	4,166	1,724	2,775	54	10,565
LONG-TERM LIABILITIES:					
CAPITAL LEASE OBLIGATIONS					
NOTES PAYABLE					
BONDS PAYABLE					
COMPENSATED ABSENCES					1,164
OTHER LONG-TERM LIABILITIES					571
TOTAL LONG-TERM LIABILITIES					1,735
TOTAL LIABILITIES	4,166	1,724	2,775	54	12,300
FUND EQUITY:					
CONTRIBUTED CAPITAL	121,796	17,742			
RETAINED EARNINGS:					
RESERVED FOR:					
REVENUE BOND RETIREMENT				45,173	51,712
UNRESERVED	49,209	10,121	19,488	76,817	11,282
TOTAL FUND EQUITY	171,005	27,863	19,488	121,990	62,994
TOTAL LIABILITIES AND FUND EQUITY	\$ 175,171	\$ 29,587	\$ 22,263	\$ 122,044	\$ 75,294

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1999
\$ 124,923	\$ 433	\$ 227,441	\$ 96,796	\$ 37	\$ 371	\$ 13,638	\$ 497,140
1,774		24,905	15,692		64	766	14,945
10,893	124		2,437			186	56,701
							16,165
95		302					672
							1,816
							319
137,685	557	252,648	114,925	37	435	14,590	587,758
114,934	8,013	109,125	33,003	474	4,791	1,255	307,924
407,808		879,150	301,647			6,735	1,645,899
6,245		14,005	1,900			607	23,740
							65,622
528,987	8,013	1,002,280	336,550	474	4,791	8,597	2,043,185
							15,149
		916					203,672
		4,347					55,825
2,929		3,950					(132,677)
(1,885)		(3,063)					69,210
							211,179
1,044		6,150					
\$ 667,716	\$ 8,570	\$ 1,261,078	\$ 451,475	\$ 511	\$ 5,226	\$ 23,187	\$ 2,842,122
\$ 17,738	\$	\$ 27,741	\$ 2,337	\$	\$ 51	\$ 354	\$ 61,670
							62,200
		62,200					75,138
38,230		24,815	10,496			1,597	4,079
202		1,622					9,748
	8,570						2,454
					52		7,934
		7,789	145				
56,170	8,570	124,167	12,978		103	1,951	223,223
551,560		918,095	168,279			35,842	1,673,776
							1,164
							571
551,560		918,095	168,279			35,842	1,675,511
607,730	8,570	1,042,262	181,257		103	37,793	1,898,734
							139,538
46,740		180,582					324,207
13,246		38,234	270,218	511	5,123	(14,606)	479,643
59,986		218,816	270,218	511	5,123	(14,606)	943,388
\$ 667,716	\$ 8,570	\$ 1,261,078	\$ 451,475	\$ 511	\$ 5,226	\$ 23,187	\$ 2,842,122

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 25,102	\$ 2,646	\$ 466	\$ 920	\$ 885
INTEREST AND OTHER INVESTMENT INCOME				8,643	2,237
INCREASE(DECREASE) IN FAIR MARKET VALUE OF INVESTMENTS					
OTHER REVENUES	2,959		2,371	54	16,857
TOTAL OPERATING REVENUES	28,061	2,646	2,837	9,617	19,979
OPERATING EXPENSES:					
PERSONAL SERVICES	12,304	4,878	10,347	930	8,368
UTILITIES, RENTALS, AND OTHER SERVICES	14,308	1,436	2,827	379	2,568
COMMODITIES AND SUPPLIES	1,023	373	352		300
PROVISION FOR LOAN LOSSES				1,007	
GRANTS AND SUBSIDIES		44			42,052
DEPRECIATION AND AMORTIZATION	4,987	2,297	1,775	157	607
INTEREST				3,206	
TRAVEL	116	63	426	28	175
OTHER EXPENSES		156	8,646	222	3,785
TOTAL OPERATING EXPENSES	32,738	9,247	24,373	5,929	57,855
OPERATING INCOME (LOSS)	(4,677)	(6,601)	(21,536)	3,688	(37,876)
NONOPERATING REVENUES (EXPENSES):					
INTERGOVERNMENTAL REVENUES		2,202			10,243
GRANTS AND DONATIONS		485	6,823		312
MEMBERSHIP REVENUE		259			
KENTUCKY CENTER FOR THE ARTS ENDOWMENT		848			
GAIN (LOSS) ON SALE OF FIXED ASSETS		(64)			
INTEREST AND OTHER INVESTMENT INCOME(LOSS)	122	112	(1)		
INTEREST EXPENSE					
OTHER REVENUE (EXPENSES)	1,439		(301)		(498)
TOTAL NONOPERATING REVENUE (EXPENSES)	1,561	3,842	6,521		10,057
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	(3,116)	(2,759)	(15,015)	3,688	(27,819)
TRANSFERS FROM PRIMARY GOVERNMENT	407	5,441	21,493		31,864
TRANSFERS FROM COMPONENT UNITS					3,000
TRANSFERS TO PRIMARY GOVERNMENT	(371)		(12)		
TRANSFERS TO COMPONENT UNITS					(393)
NET INCOME (LOSS)	(3,080)	2,682	6,466	3,688	6,652
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	4,235	1,702			
INCREASE (DECREASE) IN RETAINED EARNINGS	1,155	4,384	6,466	3,688	6,652
RETAINED EARNINGS AT JULY 1, AS RESTATED	48,054	5,737	13,022	118,302	56,342
RETAINED EARNINGS AT JUNE 30	\$ 49,209	\$ 10,121	\$ 19,488	\$ 121,990	\$ 62,994

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1999
\$ 843 43,037	\$	\$ 8,257 75,143	\$ 12,173 6,334	\$	\$ 288	\$ 5,678 1,104	\$ 56,970 136,786
		(3,588)	(2,750)		(38)	(41)	(6,417)
2,476						34	24,751
46,356		79,812	15,757		250	6,775	212,090
	60	8,601	948				46,436
	100	1,669					23,287
	1	349			1		2,399
		3,153	885		16	1,522	1,007
1,342		1,637	307				47,672
25,037		55,483	11,990			1,987	13,109
	3	323					97,703
11,559	229	4,335				30	1,134
37,938	393	75,550	14,130		17	3,539	28,962
8,418	(393)	4,262	1,627		233	3,236	261,709
							(49,619)
							12,445
			24,339				31,959
							259
		8,528					848
							8,464
							233
		(1,315)		(4)			(679)
		7,213	24,339	(4)			53,529
8,418	(393)	11,475	25,966	(4)	233	3,236	3,910
			11,211				70,416
	393						3,393
(3,000)							(383)
5,418		11,475	37,177	(4)	233	3,236	(3,393)
							73,943
							5,937
5,418		11,475	37,177	(4)	233	3,236	79,880
54,568		207,341	233,041	515	4,890	(17,842)	723,970
\$ 59,986	\$	\$ 218,816	\$ 270,218	\$ 511	\$ 5,123	\$ (14,606)	\$ 803,850

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center For The Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority
CASH FLOWS FROM OPERATING ACTIVITIES:				
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 27,927	\$ 2,588	\$ 3,096	\$ 3,780
COLLECTION OF PROGRAM LOANS				32,230
PROGRAM LOANS ISSUED				(15,287)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(17,406)	(3,595)	(16,505)	(371)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(10,690)	(3,561)	(9,482)	(930)
CASH PAYMENTS (TO) FROM OTHER SOURCES				(231)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(169)	(4,568)	(22,891)	19,191
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
PROCEEDS FROM BOND ISSUANCE				
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				
PRINCIPAL PAYMENT ON DEBT				(77,674)
DEBT RELATED EXPENSES				(4,631)
SUBSIDIES		4,042	28,571	
OPERATING TRANSFERS-IN FROM OTHER FUNDS	973	5,441		
OPERATING TRANSFERS-OUT TO OTHER FUNDS				
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	973	9,483	28,571	(82,305)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,695)	(605)	(3,582)	
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(371)			
INCREASE IN RESTRICTED ASSET - CONSTRUCTION ACCOUNT	(21,380)			
RESTRICTED INCOME - CONSTRUCTION	874			
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS				
PROCEEDS FROM SALE OF CAPITAL ASSETS		2		
CONTRIBUTED CAPITAL	19,561			
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,011)	(603)	(3,582)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
PURCHASE OF INVESTMENT SECURITIES	1,748	(5,690)	(1,353)	(116,371)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		1,671	338	171,955
INTEREST AND DIVIDENDS ON INVESTMENTS	122	114	56	7,576
NET CASH USED IN INVESTING ACTIVITIES	1,870	(3,905)	(959)	63,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(337)	407	1,139	46
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,448	1,024	999	465
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,111	\$ 1,431	\$ 2,138	\$ 511
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ (4,677)	\$ (6,601)	\$ (21,536)	\$ 3,688
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				1,007
DEPRECIATION AND AMORTIZATION	4,987	2,297	1,775	157
INTEREST AND OTHER INVESTMENT INCOME			1	(6,055)
INTEREST EXPENSE				
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)			(1,090)	3,197
CHANGE IN ASSETS AND LIABILITIES:				
(INCREASE) DECREASE IN ASSETS				
RECEIVABLES, NET	(341)	(52)	562	17,170
FAIR MARKET VALUE OF INVESTMENTS				
INVENTORIES		(2)	(101)	
PREPAID EXPENSES	(339)	(51)	(100)	
OTHER ASSETS			(188)	
INCREASE (DECREASE) IN LIABILITIES				
ACCOUNTS PAYABLE	(107)	(153)	(2,006)	27
COMPENSATED ABSENCES			76	
OTHER LIABILITIES				
DEFERRED REVENUE	308	(6)	(284)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (169)	\$ (4,568)	\$ (22,891)	\$ 19,191

THROUGH CONTRIBUTED CAPITAL, STATE FAIR BOARD ACQUIRED FIXED ASSETS COSTING \$19,560(000).

Kentucky Higher Education Assistance Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1999
\$ 59,089	\$ 44,483	\$ 1,415	\$ 8,416	\$ 606	\$	\$	\$ 5,232	\$ 156,632
410	93,530		188,813	20,737			853	336,573
(2,191)	(109,871)		(197,855)	(32,985)				(358,189)
(84,647)	(6,877)	(393)	(9,506)	(1,833)		(1)	(30)	(141,164)
(8,429)	(3,831)		(8,924)					(45,847)
	(42,195)	(364)					(1,522)	(44,312)
(35,768)	(24,761)	658	(19,056)	(13,475)		(1)	4,533	(96,307)
	190,000		248,252	28,830				467,082
	(977)							(977)
	(23,945)		(165,943)	(25,575)				(293,137)
	(25,084)		(60,872)	(32,007)				(122,594)
45,107		393		24,339				56,952
(393)	(3,000)			11,211				63,125
44,714	136,994	393	21,437	6,798				(3,393)
								167,058
(946)	(279)		(1,107)					
							(1,515)	(8,214)
								(1,886)
								(21,380)
								874
			14,187				(1,998)	(1,998)
								14,189
(946)	(279)		13,080				(3,513)	19,561
								1,146
(17,795)	(505,392)	(2,653)	(645,756)	(46,226)	(3)	(248)		(1,339,739)
17,045	467,149	952	629,126	58,356			378	1,346,970
2,053	8,913	428	16,028	14,809		238	560	50,897
1,303	(29,330)	(1,273)	(602)	26,939	(3)	(10)	938	58,128
9,303	82,624	(222)	14,859	20,262	(3)	(11)	1,958	130,025
18,007	42,299	655	212,582	76,534	40	382	11,680	367,115
\$ 27,310	\$ 124,923	\$ 433	\$ 227,441	\$ 96,796	\$ 37	\$ 371	\$ 13,638	\$ 497,140
\$ (37,876)	\$ 8,418	\$ (393)	\$ 4,262	\$ 1,627	\$	\$ 233	\$ 3,236	\$ (49,619)
	516		393					1,916
607	1,342		1,637	307				13,109
(1,866)	(8,958)		(13,919)	(17,483)		(277)	(560)	(49,117)
	25,037		55,483	11,990			1,987	94,497
3,086	(46,627)	1,048	714				(34)	(39,706)
4,915	(5,793)		(69,336)	(12,764)		(16)	(137)	(65,792)
			3,588	2,750		38	41	6,417
	(19)		(1,298)					(103)
(317)								(1,807)
								(505)
95	1,270	3	(3,742)			19		(4,594)
222	53							351
			3,321	98		(3)		3,416
(4,634)			(159)			5		(4,770)
\$ (35,768)	\$ (24,761)	\$ 658	\$ (19,056)	\$ (13,475)	\$	\$ (1)	\$ 4,533	\$ (96,307)

COMMONWEALTH OF KENTUCKY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
COMMERCE-STATE FAIR BOARD			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 26,030	\$
FINES AND FORFEITS		1	
OTHER REVENUES		9	
TRANSFERS IN (INTERFUND)		57	
TRANSFERS IN (INTRAFUND)		371	
TOTAL REVENUES	<u></u>	<u>26,468</u>	<u></u>
EXPENSES	<u>26,129</u>	<u>25,688</u>	<u>441</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES		780	
FUND EQUITY AT JULY 1		119,874	
NON-BUDGETED ITEMS		(2,938)	
FIXED ASSET ALLOCATION	<u></u>	<u>13,092</u>	<u></u>
FUND EQUITY AT JUNE 30	<u>\$</u>	<u>\$ 130,808</u>	<u>\$</u>

COMMONWEALTH OF KENTUCKY
COMBINING BALANCE SHEET
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
<u>ASSETS</u>			
CASH AND CASH EQUIVALENTS	\$ 330,814	\$ 66,316	\$ 28,921
CASH HELD IN TRUST		67,834	
INVESTMENTS, NET OF AMORTIZATION	432,485	48,180	37,350
RECEIVABLES, NET:			
STATE AGENCIES	6,591		4,833
OTHERS	180,907	45,369	10,221
INTERFUND RECEIVABLES	139,790		232
INVENTORIES	12,244	1,361	3,160
LAND	22,940	28,897	4,566
IMPROVEMENTS OTHER THAN BUILDINGS	36,499		9,833
BUILDINGS	687,003	469,935	148,795
MACHINERY AND EQUIPMENT	382,912	108,258	54,230
LIBRARY BOOKS	79,518	62,665	26,809
LIVESTOCK			352
CONSTRUCTION IN PROGRESS	69,715		6,014
OTHER ASSETS	7,334	3,897	2,138
TOTAL ASSETS	<u>\$ 2,388,752</u>	<u>\$ 902,712</u>	<u>\$ 337,454</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
ACCOUNTS PAYABLE:			
STATE AGENCIES	\$ 2	\$	\$ 57
OTHERS	41,338	39,293	3,674
ACCRUED LIABILITIES	46,572		2,047
INTERFUND PAYABLES	139,790		230
CAPITAL LEASE OBLIGATIONS	28,792	2,177	
NOTES PAYABLE	1,892		
BONDS PAYABLE	199,731	161,039	53,120
AMOUNTS HELD IN CUSTODY FOR OTHERS	556		598
DEPOSITS AND ADVANCE PAYMENTS	3,271	1,347	507
DEFERRED REVENUE	14,641	21,866	2,384
OTHER LIABILITIES	57,882	1,207	2,046
TOTAL LIABILITIES	<u>534,467</u>	<u>226,929</u>	<u>64,663</u>
FUND EQUITY:			
INVESTMENT IN FIXED ASSETS	1,026,642	506,874	193,038
FUND BALANCE:			
RESERVED FOR:			
ENCUMBRANCES	3,192	8,250	3,088
CAPITAL OUTLAY	94,686	13,345	17,715
RESTRICTED GIFTS, GRANTS, AND CONTRACTS	609,807	72,245	58,823
UNRESERVED:			
DESIGNATED FOR UNIVERSITIES AND COLLEGES	119,958	75,069	127
TOTAL FUND EQUITY	<u>1,854,285</u>	<u>675,783</u>	<u>272,791</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,388,752</u>	<u>\$ 902,712</u>	<u>\$ 337,454</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 1999
\$ 3,573	\$ 9,952	\$ 30,657	\$ 11,955	\$ 8,738	\$ 49,910	\$ 540,836
56,168	19,985	5,752	23,067	14,757	27,790	67,834
						665,534
291	515	544	255		20	13,049
9,976	5,057	7,207	3,786	4,017	16,035	282,575
167	1,663	4,099	673	513	753	147,890
1,151	1,711	1,393	1,266	479	2,529	25,294
1,508	10,317	3389	3,032		8,161	82,810
4,003		9,382	3,280		5,394	68,391
131,089	128,989	120,601	116,607	116,515	272,295	2,191,829
37,319	13,973	29,352	21,480		67,056	714,580
22,425	11,656	19,779	18,523			241,375
	17	6				375
18,197	796	18,470	3,246		21,600	138,038
6,820	66	18,609	1,504	41		40,409
<u>\$ 292,687</u>	<u>\$ 204,697</u>	<u>\$ 269,240</u>	<u>\$ 208,674</u>	<u>\$ 145,060</u>	<u>\$ 471,543</u>	<u>\$ 5,220,819</u>
\$ 549	\$	\$ 6	\$ 52	\$	\$ 1	\$ 667
2,767	2,716	3,967	2,027	486	4,126	100,394
2,876	5,143	4,141	5,234	2,837	13,587	82,437
167	1,665	4,099	673	513	753	147,890
2,818	2,000	2,264	13,715		4	51,770
	3,250	1,619	2,052			8,813
49,725	27,085	25,162	52,460	18,765	89,330	676,417
749	723	161	537	246		3,570
		294	168			5,587
3,587	690	919	3,370	315	1,808	49,580
					6,194	67,329
<u>63,238</u>	<u>43,272</u>	<u>42,632</u>	<u>80,288</u>	<u>23,162</u>	<u>115,803</u>	<u>1,194,454</u>
152,464	133,479	191,852	98,551	96,691	271,987	2,671,578
1,670		409	375			16,984
36,185	9,644		15,116	22,896	30,431	240,018
27,031	15,114	34,347	13,144		34,939	865,450
12,099	3,188		1,200	2,311	18,383	232,335
<u>229,449</u>	<u>161,425</u>	<u>226,608</u>	<u>128,386</u>	<u>121,898</u>	<u>355,740</u>	<u>4,026,365</u>
<u>\$ 292,687</u>	<u>\$ 204,697</u>	<u>\$ 269,240</u>	<u>\$ 208,674</u>	<u>\$ 145,060</u>	<u>\$ 471,543</u>	<u>\$ 5,220,819</u>

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES:			
TUITION AND FEES	\$ 109,710	\$ 67,009	\$ 34,224
FEDERAL GRANTS AND CONTRACTS	13,893	26,617	29,873
STATE/LOCAL GRANTS AND CONTRACTS	14,124	7,971	11,338
PRIVATE GIFTS, GRANTS AND CONTRACTS	56,871	12,545	1,066
ENDOWMENT INCOME	4,539		
SALES AND SERVICES OF EDUCATION ACTIVITIES	53,801	452	4,408
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	314,950	36,692	16,267
OTHER REVENUES	32,738	100,494	4,438
TOTAL CURRENT REVENUES	600,626	251,780	101,614
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	197,284	100,151	54,432
RESEARCH	57,479	50,221	559
PUBLIC SERVICE	115,010	68,527	16,522
ACADEMIC SUPPORT	33,940	23,351	21,080
LIBRARIES	20,393	11,520	3,903
STUDENT SERVICES	19,128	8,841	8,558
INSTITUTIONAL SUPPORT	37,376	31,145	10,497
STUDENT FINANCIAL AID	35,796	20,203	17,594
MAINTENANCE AND OPERATION	32,267	18,826	14,958
OTHER EXPENDITURES	338	27	
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	549,011	332,812	148,103
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	15,042	13,203	4,832
LOAN FUND	134	66	9
UNEXPENDED PLANT FUND	1,459		
RENEWAL AND REPLACEMENT			
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS FOR:			
CURRENT FUND - UNRESTRICTED	(20,538)		
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
CURRENT FUND - RESTRICTED	(1,579)		
LOAN FUND			
ENDOWMENT AND SIMILAR FUNDS	1,070		
FOUNDATIONS	2		
UNEXPENDED PLANT FUND	17,794	13,691	
RENEWAL AND REPLACEMENT	3,192		
RETIREMENT OF INDEBTEDNESS			
TOTAL EDUCATIONAL AND GENERAL	565,587	359,772	152,944
AUXILIARY ENTERPRISES AND HOSPITALS:			
EXPENDITURES	289,566	49,748	14,802
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	5,146	1,392	1,548
RENEWAL AND REPLACEMENT			
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS:			
CURRENT FUND - UNRESTRICTED	(3,984)		
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
UNEXPENDED PLANT FUND	287		
RENEWAL AND REPLACEMENT	2,344		
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	293,359	51,140	16,350
TOTAL EXPENDITURES AND TRANSFERS	858,946	410,912	169,294
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
TRANSFERS FROM PRIMARY GOVERNMENT	286,707	158,716	63,826
TRANSFERS TO PRIMARY GOVERNMENT	2,926		
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	7,338	2,459	2,267
INDIRECT COST RECOVERED		5,169	
REFUNDS TO GRANTORS			(72)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		85	(672)
NET INCREASE (DECREASE) IN FUND BALANCE	\$ 38,651	\$ 7,297	\$ (2,331)

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 1999
\$ 36,067	\$ 21,103	\$ 27,073	\$ 35,481	\$ 6,476	\$ 51,590	\$ 388,733
20,299	24,537	7,611	5,666	11,286	45,740	185,522
5,511	2,932	5,373	2,644		12,727	62,620
1,581	1,059	687	814		5,315	79,938
		287			412	5,238
4,312	993	2,504	829		6,219	73,518
14,200	9,471	14,009	6,558	3,685	11,326	427,158
4,807	1,269	4,554	3,258	943	2,510	155,011
86,777	61,364	62,098	55,250	22,390	135,839	1,377,738
49,773	27,000	36,438	30,205	9,731	125,132	630,146
3,524	309	2,085	258	2,916		117,351
12,230	5,173	4,365	2,505	3,628	8,719	236,679
5,733	4,352	4,564	4,817	2,103	15,281	115,221
4,801	2,329	2,600	3,836		4,744	54,126
11,122	6,932	7,733	6,251	3,310	12,992	84,867
12,572	7,997	8,657	12,165	7,153	30,605	158,167
15,338	25,431	13,476	9,445	5,276	44,641	187,200
11,026	5,614	9,300	6,353	4,313	19,236	121,893
101						466
126,220	85,137	89,218	75,835	38,430	261,350	1,706,116
4,244	2,864	3,546	4,932	2,654	9,823	61,140
24			29			262
						1,459
		(77)			(226)	(20,538)
						(303)
						(1,579)
	1,588	48			1,054	3,760
5,510	671	2,175	3,151		1,791	2
(398)		(1,078)				44,783
		289				2,114
135,600	90,260	94,121	83,947	41,084	273,792	(109)
11,285	7,480	12,890	4,779	3,412	10,783	404,745
2,228	1,514	715	331			12,874
			1,175			1,175
		77			226	(3,758)
		254			23	77
					43	564
13,513	8,994	13,936	6,285	3,412	11,075	2,387
149,113	99,254	108,057	90,232	44,496	284,867	418,064
58,072	36,690	45,694	33,903	20,364	157,214	2,215,171
987		1,568	89		747	861,186
1,078		291	206	125		2,926
(48)		(31)	(39)			15,455
	3,245	25		(1,405)		6,869
\$ (2,247)	\$ 2,045	\$ 1,588	\$ (823)	\$ (3,022)	\$ 8,933	(190)
						1,278
						50,091

COMMONWEALTH OF KENTUCKY
COMBINING STATEMENT OF CHANGES IN FUND BALANCE
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES AND OTHER ADDITIONS:			
EDUCATIONAL AND GENERAL REVENUES	\$ 249,117	\$ 154,684	\$ 44,492
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	314,950	37,198	16,019
INDIRECT COST RECOVERED		5,169	
RESTRICTED GRANTS AND CONTRACTS	204,165	48,029	42,583
RESTRICTED GIFTS AND GRANTS	39,266	1,202	5,892
ENDOWMENT INCOME	5,253		
INTEREST AND OTHER INVESTMENT INCOME	35,663	7,016	1,113
EXPENDED FOR PLANT FACILITIES	50,595	57,719	7,722
RETIREMENT OF INDEBTEDNESS	15,530	13,844	5,560
OTHER REVENUES AND ADDITIONS	117,197	55,903	14,579
TOTAL REVENUES AND OTHER ADDITIONS	1,031,736	380,764	137,960
EXPENDITURES AND OTHER DEDUCTIONS:			
EDUCATIONAL AND GENERAL EXPENDITURES	549,011	332,785	146,711
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	289,566	49,748	14,802
REFUNDS TO GRANTORS	1		72
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	50		101
LOAN CANCELLATIONS	208	176	194
PAYMENT TO BENEFICIARIES			889
EXPENDED FOR PLANT FACILITIES	44,990	51,452	2,376
RETIREMENT OF INDEBTEDNESS	16,485	13,844	5,560
INTEREST PAYMENTS	9,660	8,674	2,936
DISPOSAL OF PLANT FACILITIES	17,360	1,532	3,201
NOTES ISSUED			
OTHER EXPENDITURES	213,432	9,590	3,781
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,140,763	467,801	180,623
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
NON-MANDATORY TRANSFERS FOR:			
TRANSFERS FROM PRIMARY GOVERNMENT	317,733	158,716	67,266
TRANSFERS TO PRIMARY GOVERNMENT			
TOTAL TRANSFERS AMONG FUNDS	317,733	158,716	67,266
INCREASE (DECREASE) IN FUND BALANCE	208,706	71,679	24,603
FUND BALANCE AT JULY 1, AS RESTATED	1,645,579	604,104	248,188
FUND BALANCE AT JUNE 30	\$ 1,854,285	\$ 675,783	\$ 272,791

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 1999
\$ 45,534	\$ 23,462	\$ 33,114	\$ 35,481	\$ 18,831	\$ 60,147	\$ 664,862
14,200	9,471	14,009	6,558	3,685	11,326	427,416
1,078		291	206			6,744
25,810	28,433	15,254	9,139	1,863	61,390	436,666
3,364		1,910	969		6,128	58,731
		287			358	5,898
2,744	544	2,245	401	441	2,711	52,878
7,509	6,292	11,683	3,513	1,092	21,267	167,392
3,763	4,199	3,462	4,910	1,490	6,440	59,198
16,526	19,372	11,390	18,978	927	14,550	269,422
120,528	91,773	93,645	80,155	28,329	184,317	2,149,207
126,219	85,137	89,218	75,835	38,430	261,350	1,704,696
11,285	7,480	12,890	4,779	3,412	10,783	404,745
48		31	40			192
107	13	8	41	255		575
197	99	115	35	22		1,046
						889
1,299	8,342	5,176	1,096		15,201	129,932
3,763	4,199	3,462	3,981	1,490	6,440	59,224
2,683	1,876	1,162	3,435	1,144	4,716	36,286
3,979	64	1,830	739		1,051	29,756
	935	969	116			2,020
2,936	41	6,642	14,323	15	6,576	257,336
152,516	108,186	121,503	104,420	44,768	306,117	2,626,697
58,072	39,935	45,694	36,013	20,364	167,550	911,343
58,072	39,935	45,694	36,013	20,364	167,550	911,343
26,084	23,522	17,836	11,748	3,925	45,750	433,853
203,365	137,903	208,772	116,638	117,973	309,990	3,592,512
\$ 229,449	\$ 161,425	\$ 226,608	\$ 128,386	\$ 121,898	\$ 355,740	\$ 4,026,365

STATISTICAL SECTION

The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.

**COMMONWEALTH OF KENTUCKY
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

<u>SOURCE</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Taxes:										
Sales & Gross Receipts	\$ 1,793,125	\$ 1,931,992	\$ 2,259,989	\$ 2,442,419	\$ 2,539,066	\$ 2,739,653	\$ 2,873,176	\$ 3,018,770	\$ 3,167,442	\$ 3,255,990
Individual Income	1,228,462	1,642,691	1,629,678	1,676,263	1,870,096	1,964,960	2,080,418	2,201,574	2,390,823	2,538,948
Corporation Income	279,494	319,338	271,022	254,797	269,048	340,913	289,508	291,536	338,354	312,579
Property	303,347	323,378	339,590	353,711	370,200	386,389	409,175	440,973	405,528	424,471
License & Privilege	101,174	110,046	111,315	117,471	114,052	137,578	130,778	145,178	162,122	170,480
Severance	196,945	188,924	185,020	180,704	181,340	177,826	185,019	185,744	187,126	173,094
Inheritance & Estate	67,013	68,597	77,241	71,040	76,173	79,531	82,673	93,962	105,550	79,168
Miscellaneous	<u>111,662</u>	<u>118,327</u>	<u>116,692</u>	<u>125,636</u>	<u>120,036</u>	<u>117,077</u>	<u>104,819</u>	<u>109,451</u>	<u>114,903</u>	<u>120,765</u>
Total Taxes	<u>4,081,222</u>	<u>4,703,293</u>	<u>4,990,547</u>	<u>5,222,041</u>	<u>5,540,011</u>	<u>5,943,927</u>	<u>6,155,566</u>	<u>6,487,188</u>	<u>6,871,848</u>	<u>7,075,495</u>
Intergovernmental Revenue	1,814,810	2,158,400	2,520,376	2,687,598	2,657,925	3,307,139	3,394,888	3,625,241	3,809,686	3,825,985
Charges for Services	172,827	167,144	140,798	147,617	192,659	222,309	277,165	262,366	289,555	298,952
Licenses, Fees & Permits	119,750	126,840	138,877	161,510	134,161	160,975	163,331	164,557	170,454	188,304
Fines & Forfeitures	40,530	41,106	39,229	39,972	38,563	40,720	40,485	48,538	47,265	53,024
Interest & Investments *	115,831	108,962	112,519	107,210	90,931	112,124	148,908	155,878	191,986	140,328
Other Income	<u>90,050</u>	<u>136,338</u>	<u>80,241</u>	<u>123,951</u>	<u>93,683</u>	<u>133,506</u>	<u>133,524</u>	<u>193,206</u>	<u>218,883</u>	<u>185,881</u>
Total Non-Tax Income	<u>2,353,798</u>	<u>2,738,790</u>	<u>3,032,040</u>	<u>3,267,858</u>	<u>3,207,922</u>	<u>3,976,773</u>	<u>4,158,301</u>	<u>4,449,786</u>	<u>4,727,829</u>	<u>4,692,474</u>
Total Revenues	<u>\$ 6,435,020</u>	<u>\$ 7,442,083</u>	<u>\$ 8,022,587</u>	<u>\$ 8,489,899</u>	<u>\$ 8,747,933</u>	<u>\$ 9,920,700</u>	<u>\$ 10,313,867</u>	<u>\$ 10,936,974</u>	<u>\$ 11,599,677</u>	<u>\$ 11,767,969</u>

NOTE: * 1999 Amount adjusted in accordance with GASB 31

**COMMONWEALTH OF KENTUCKY
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

<u>FUNCTIONS</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
General Government	\$ 338,573	\$ 300,969	\$ 236,096	\$ 444,901	\$ 452,593	\$ 418,256	\$ 494,599	\$ 593,500	\$ 652,980	\$ 556,913
Legislative & Judicial	103,564	111,920	119,345	120,036	128,575	132,421	147,563	150,604	165,645	186,168
Commerce	48,225	40,485	41,512	37,279	37,656	42,430	42,704	44,408	45,953	49,927
Education & Humanities	1,935,653	2,302,807	2,511,764	2,578,179	2,663,797	2,835,220	2,962,449	3,076,843	3,187,712	3,250,456
Human Resources	2,010,819	2,495,859	2,916,988	3,129,059	3,077,162	3,818,430	3,819,907	4,208,762	4,253,354	4,368,927
Justice	79,958	98,068	101,291	229,972	232,221	255,424	282,999	340,100	402,149	451,532
Natural Resources and										
Environmental Protection	64,349	98,517	56,919	83,481	105,920	110,509	96,094	103,356	112,923	120,938
Corrections	128,093	150,637	158,260	0	0	0	0	0	0	
Public Protection and										
Regulation	68,341	72,138	73,888	83,322	79,816	86,411	94,124	105,763	115,479	130,245
Transportation	734,592	813,903	976,826	874,160	843,456	980,083	1,061,589	1,092,563	1,135,102	1,356,322
Capital Outlay	89,042	125,600	201,665	149,910	79,707	82,040	79,245	99,702	135,106	266,165
Debt Service	<u>275,743</u>	<u>334,487</u>	<u>413,450</u>	<u>284,323</u>	<u>357,122</u>	<u>416,756</u>	<u>392,130</u>	<u>332,127</u>	<u>438,029</u>	<u>357,698</u>
Total Expenditures	<u>\$ 5,876,952</u>	<u>\$ 6,945,390</u>	<u>\$ 7,808,004</u>	<u>\$ 8,014,622</u>	<u>\$ 8,058,025</u>	<u>\$ 9,177,980</u>	<u>\$ 9,473,403</u>	<u>\$ 10,147,728</u>	<u>\$ 10,644,432</u>	<u>\$ 11,095,291</u>

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report

NOTE: In 1990 the Energy Function was distributed among other functions. In 1993 the Corrections Function was combined into the Justice Function.

COMMONWEALTH OF KENTUCKY

DESCRIPTION OF TAX SOURCES - ALL GOVERNMENTAL FUND TYPES

JUNE 30, 1999

SALES AND USE - On July 1, 1960, Kentucky became the thirty-fourth state to enact a sales and use tax. Although the tax was broad based at the time of its inception, the sales and use tax has been significantly eroded over the years with the passage of numerous exemptions. This has been partially offset with rate increases in 1968 (3% to 5%) and 1990 (5% to 6%), and expansion of the tax base in 1985 to cover leases and rentals of tangible personal property. During fiscal year 1999, the sales and use tax continued to be the second largest generator of General Fund revenue for the Commonwealth.

COAL SEVERANCE - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of 4% on the gross value of coal mined in Kentucky or .30 per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or .50 per ton, whichever is greater, in 1976. In 1978, the statutes were revised to include the taxation of coal processing and added a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties were to receive a minimum of 10% of coal severance and processing taxes for fiscal year 1986-87 and 12% for subsequent years. The percentage has increased over the years to a level of 50% for fiscal year 1998-99.

MOTOR FUELS - In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1962, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation, and on July 1, 1972, the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to 9% of the weighted average wholesale tank wagon price for sale in Kentucky. In no case shall the average wholesale price be deemed to be less than one dollar and eleven cents per gallon, nor more than one dollar and fifty cents per gallon. On July 1, 1986, the tax on gasoline and LP gas was increased five cents per gallon and the tax on special fuels was increased two cents per gallon.

MOTOR VEHICLE USAGE TAX - Motor vehicles were originally taxed under the 3 percent gross receipts tax that was repealed in 1936. After repeal, a special 3 percent tax on motor vehicles was enacted. This tax is based on the "retail price" of the motor vehicles as defined by statute. The tax was increased to 5 percent in April 1968, and to 6 percent on July 1, 1990. The tax is paid to the county clerk when a vehicle is first registered in the owner's name. The proceeds derived from the tax are deposited to the Road Fund for use in the construction and maintenance of Kentucky's roads and bridges.

MOTOR VEHICLE REGISTRATION - The 1936 General Assembly fixed a flat \$4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current \$11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation. The apportioned registration of commercial vehicles began April 1, 1974. Current rates for heavier trucks range from \$24 (6,001-10,000 lbs.) to \$1,250.50 (73,281-80,000 lbs.) with extended weight tags available for coal haulers.

INDIVIDUAL INCOME TAX - The individual income tax became effective for income earned during calendar year 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first \$3,000 of income to 5% on all over \$5,000. In 1950, a rate of 6% was imposed on income in excess of \$8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. Currently, net income is computed using the Internal Revenue Code in effect on December 31, 1997, for tax years beginning after December 31, 1996, modified for Kentucky differences between federal and Kentucky tax laws. Primary differences include the tax treatment of pension income and interest on federal obligations. The rates applied to net income are: 2% of the first \$3,000; 3% of the next \$1,000; 4% of the next \$1,000; 5% of the next \$3,000; and 6% of the excess over \$8,000. The personal tax credit of \$20 went into effect in 1961 and a standard deduction of \$650 was adopted in 1976. The standard deduction increased to \$900 for 1997, increases to \$1,200 for 1998, \$1,500 for 1999 and \$1,700 for 2000 and will be indexed thereafter. A low income tax credit of 5% to 100% for single persons or married couples with adjusted gross income of \$25,000 or less was enacted in 1990. A child and dependent care credit equal to 20% of the Federal credit is also allowed.

COMMONWEALTH OF KENTUCKY

CORPORATION INCOME TAX - The corporate income tax was enacted to first apply to calendar year 1936 income. The rate was 4% of net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to 5% of the first \$25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first \$25,000 and 5.8% on the excess. Tax rates beginning on January 1, 1980, were: first \$25,000 at 3%; next \$25,000 at 4%; next \$50,000 at 5%; and the excess over \$100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KETA) into law. KETA mandated a State depreciation system separate from the federal system. This new Kentucky system allowed corporate taxpayers to recover the entire cost of property through depreciations compared to recovery of 71% of cost using the Accelerated Cost Recovery System (ACRS) as adjusted for under prior Kentucky Law. KETA also added a new graduated rate of 7.25% of taxable income in excess of \$250,000 of taxable income effective August 1, 1985.

The 1990 General Assembly replaced the Kentucky depreciation system with the depreciation and expense deductions allowed by Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 1989, effective for property placed in service after December 31, 1989. The tax rates beginning on January 1, 1990 are: first \$25,000 at 4%; next \$25,000 at 5%; next \$50,000 at 6%; next \$150,000 at 7%; and all over \$250,000 at 8.25%.

The 1994 General Assembly amended KRS 141.0101 to make Kentucky depreciation rules consistent with federal depreciation rules for all assets, regardless of when placed in service, effective for taxable years, beginning after December 31, 1993. To account for this change in depreciation rules, each taxpayer must determine the amount of any difference in Kentucky adjusted basis and federal adjusted basis (transition amount) as of the first day of the first taxable year beginning after December 31, 1993. The transition amount must be added to or subtracted from gross income in the first taxable year beginning after December 31, 1993, if the amount does not exceed \$100,000 or in equal amounts over 4 years if the amount exceeds \$100,000 or the taxpayer so elects.

The 1996 General Assembly amended KRS 141.120 to prohibit affiliated corporations from filing combined Kentucky income tax returns using the unitary business concept and allows affiliated corporations to elect to file consolidated Kentucky income tax returns, with such election being binding for 96 consecutive calendar months.

Effective for tax years beginning after December 31, 1996, net

income is computed using the Internal Revenue Code in effect on December 31, 1997.

PROPERTY TAX - Kentucky has levied a property tax since the creation of the state in 1792. Prior to 1934, the property tax was the State's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from 30 cents to 5 cents per \$100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five cents to 1.5 cents and on tangible property from 50 cents to 15 cents. House Bill 4, passed in the 1976 regular session of the General Assembly, established the power equalization program for school funding and raised the State tax rate on real property from 1.5 cents to 31.5 cents per \$100 of assessed value and the tax rate on tangible personal property from 15 cents to 45 cents per \$100 of assessed value. This increase in the State property tax rate was accompanied by a 30 cents per \$100 of assessed value decrease in local school tax rates. The tax rate on intangible personal property, which is not subject to local rates, remained at 25 cents per \$100. House Bill 44, enacted by the 1979 extraordinary legislative session, established a new rate setting mechanism which limited the increase in aggregate revenues for all taxing districts in general, and specifically limited the State rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the State tax rate on real property has dropped 53% from 31.5 cents per \$100 in 1978 to 14.8 cents per \$100 in 1999.

The 1996 General Assembly repealed the bank shares property tax and enacted a bank franchise tax for state tax purposes and a local deposits franchise tax for local tax purposes. A discussion of the bank franchise tax follows.

INHERITANCE AND ESTATE TAX - Inheritance Tax is a tax on the right to receive property upon the death of the owner. The tax rates and exemptions are based on the relationship of the beneficiary to the decedent. The Kentucky inheritance tax began in 1906 and taxed all beneficiaries other than nearest relatives. Beneficiaries taxed were given a \$500 exemption. Many changes have been enacted over the years to the inheritance tax, however, the Kentucky estate tax that was enacted in 1936, has not been changed. The Kentucky estate tax is equal to the amount that the state death tax credit allowable under the federal estate tax law exceeds the total inheritance tax paid.

A major change was made in 1985 to the Kentucky inheritance tax when a surviving spouse was given an exemption of the total amount inherited. Effective for dated of death on or after July 1, 1998, the inheritance tax for parents, children (natural, step, or adopted), grandchildren, brothers (half, or whole) and sisters (half or whole)

COMMONWEALTH OF KENTUCKY

was phased out over a four year period. The exemption during the phase-out period was the greater of the exemption permitted under the pre July 1, 1995 law or a percentage of the inheritable interest. The inheritance tax for these beneficiaries was completely phased out for deaths that occurred after June 30, 1998. If the entire estate passes to exempt beneficiaries there may not be any Kentucky inheritance tax due, but there could be Kentucky estate tax due because the estate is large enough to require that a federal estate tax return be filed and a state death tax credit is allowed.

Other beneficiaries such as nieces, nephew, daughters-in-law, sons-in-law, great-grandchildren, cousins and relatives were affected by the 1995 phase-out of the inheritance tax. All transfers to educational, religious or other institutions whose sole purpose are to carry on charitable, educational, or religious work are exempt from the Kentucky inheritance tax.

PROVIDER TAX - House Bill 250, enacted during the 1994 Regular Session of the General Assembly, continued the Kentucky Health Care Provider Tax. The bill, which was effective July 15, 1994, imposed a 2.5% tax on a gross revenues received by all providers of hospital services, a 2% tax on gross revenues received by other providers of specified health care items or services, and a .25 cent tax per outpatient prescription drug dispensed by pharmacies or other persons dispensing outpatient prescription drugs (KRS Chapter 142). The purpose of the Health Care Provider Tax is to help fund Kentucky's \$2 billion Medicaid program. The Medicaid program is a joint federal-state medical assistance program that is operated and administered by the state. Approximately 25% of the funding for the program is provided by the state with remaining 75% being funded by the federal government.

KRS Chapter 142 was amended in 1996 to phase out the health care provider tax on physician services. The rate is 1% for the period July 1, 1997, through June 30, 1999. The tax on physician services will be entirely removed as of July 1, 1999.

KRS Chapter 142 was amended in 1998 to phase out the tax on outpatient prescription drugs. The tax on outpatient prescription drugs will be reduced from 25 cents to 15 cents per prescription for the period July 1, 1999, through June 20, 2000. Effective July 1, 2000, the tax on outpatient prescription drugs will expire.

BANK FRANCHISE TAX - House Bill 416 as enacted by the 1996 General Assembly created the bank franchise tax. The tax is imposed on any financial institution which obtains or solicits business from 20 or more persons within the Commonwealth or has receipts attributable to sources in the Commonwealth which equal or

exceed \$100,000. The bank franchise tax is based on a five year average of net capital accounts reflected on the quarterly reports of condition filed with applicable federal regulatory institution. The minimum tax is \$300 per year. Because HB 416 is effective for the calendar year 1996, the first tax returns and payments were due on March 15, 1997.

Effective for tax years beginning after December 31, 1997, KRS 136.500 was amended in 1998 to define the term "Kentucky obligations" to mean all obligations of the Commonwealth of Kentucky, its counties, municipalities, taxing districts, exempt from taxation under the Kentucky Revised Statutes and the Kentucky Constitution. The amendment allows as a deduction from capital an amount equal to the same percentage of total capital as the book value of Kentucky obligations bears to the book value of the total assets of the financial institution. Additionally, the quarterly averages of net capital and deductions for United States and Kentucky obligations will be divided by four, without regard to the actual existence of the financial institution.

COMMONWEALTH OF KENTUCKY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
FOR CALENDAR YEARS 1989 - 1998

(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed	Estimated	Assessed	Estimated	Assessed	Estimated	
	Value	Value	Value	Value	Value	Value	
1989	\$ 63,730,690	\$ 72,466,699	\$ 117,635,547	\$ 117,635,547	\$ 181,366,237	\$ 190,102,246	95.4%
1990	69,798,888	80,228,607	124,398,999	124,398,999	194,197,887	204,627,606	94.9%
1991	74,626,422	84,802,752	132,552,592	132,552,592	207,179,014	217,355,344	95.3%
1992	78,150,012	87,809,002	140,219,154	140,219,154	218,369,166	228,028,156	95.8%
1993	82,268,682	89,422,480	141,750,516	141,750,516	224,019,198	231,172,996	96.9%
1994	89,570,464	95,287,728	153,225,083	153,225,083	242,795,547	248,512,811	97.7%
1995	94,579,246	100,616,219	161,791,401	161,791,401	256,370,647	262,407,620	97.7%
1996	101,534,494	108,015,419	152,832,983	152,832,983	254,367,477	260,848,402	97.5%
1997	108,105,918	115,006,296	126,700,493	126,700,493	234,806,411	241,706,789	97.1%
1998	115,767,683	123,157,110	137,956,076	137,956,076	253,723,759	261,113,186	97.2%

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

COMMONWEALTH OF KENTUCKY
PROPERTY TAX LEVIES AND COLLECTIONS
FOR FISCAL YEARS 1989 - 1998

(Expressed in Thousands Except Percentages)

For the Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1989	\$ 292,001	\$ 270,216	\$ 92.5%	\$ 11,673	\$ 281,889	96.5%
1990	317,574	295,729	93.1%	7,617	303,346	95.5%
1991	342,116	313,503	91.6%	9,871	323,374	94.5%
1992	355,821	329,783	92.7%	8,765	338,548	95.1%
1993	372,168	345,089	92.7%	9,669	354,758	95.3%
1994	387,350	357,996	92.4%	12,204	370,200	95.6%
1995	412,789	377,710	91.5%	17,615	395,325	95.8%
1996	424,471	391,977	92.3%	17,200	409,177	96.4%
1997	409,392	399,759	97.6%	15,099	414,858	101.3%
1998	369,003	349,774	94.8%	13,019	362,793	98.3%

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) by the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year.

COMMONWEALTH OF KENTUCKY
RATIO OF GENERAL LONG-TERM BONDED DEBT
TO ASSESSED VALUE AND DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands, Except Ratio and Per Capita Debt)

For the Year Ended June 30	Estimated Population		Assessed Value		General Long-Term Bonded Debt	General Bonded Debt	
						Ratio to Assessed Value	Per Capita
1990	3,687	Revised	\$ 194,197,887		\$ 2,292,249	1.2%	\$ 622
1991	3,715		207,179,014		2,790,549	1.3%	751
1992	3,752		218,369,166		2,819,240	1.3%	751
1993	3,793		224,019,198		3,144,038	1.4%	829
1994	3,824		242,795,547		3,098,553	1.3%	810
1995	3,856		256,370,647		3,133,332	1.2%	813
1996	3,882		254,367,477		3,134,342	1.2%	807
1997	3,908		234,806,411		3,133,332	1.3%	802
1998	3,936		253,723,759		2,833,433	1.1%	720
1999	3,988	Projected	275,290,279	Estimated	2,178,683	0.8%	546

REVISED: Revised 1990 census count

PROJECTED: KY Data Center and U.S. Census Bureau indicate 1999 projection unavailable due to preparation for 2000 census. Figure shown is 2000 projection.

SOURCE: University of Louisville Center for Urban and Economic Research; Kentucky Revenue Cabinet; Office for Financial Management and Economic Analysis bond reporting systems.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity.

COMMONWEALTH OF KENTUCKY
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO
TOTAL EXPENDITURES FOR GENERAL GOVERNMENTAL FUNCTIONS
FOR THE LAST TEN FISCAL YEARS

(Expressed in Thousands, Except Ratio Data)

For the Year Ended June 30	General Long - Term Debt Service		Total Expenditures		Ratio
1990	\$	260,347	\$	5,876,952	4.4%
1991		334,487		6,945,390	4.8%
1992		413,450		7,808,004	5.3%
1993		284,323		8,014,622	3.5%
1994		357,122		8,058,025	4.4%
1995		416,756		9,177,980	4.5%
1996		392,130		9,473,403	4.1%
1997		332,127		10,147,728	3.3%
1998		438,029		10,644,432	4.1%
1999		357,698		11,095,291	3.2%

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report.

COMMONWEALTH OF KENTUCKY
UNIVERSITY AND COLLEGE FUNDS REVENUE BOND COVERAGE
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands, Except Coverage)

For the Year Ended June 30	Unrestricted Current Funds Beginning Balance	Unrestricted Current Funds Revenues and Additions	Unrestricted Current Funds Expenditures and Transfers	Net Revenue Available for Debt Service Requirements	Debt Service Requirements	Coverage
1990	\$ 122,650	\$ 1,125,850	\$ 1,115,634	\$ 132,866	\$ 57,802	2.30
1991	132,486	1,268,409	1,262,373	138,522	64,195	2.16
1992	139,539	1,377,283	1,372,630	144,192	73,763	1.95
1993	144,239	1,378,410	1,365,768	156,881	108,448	1.45
1994	156,881	1,446,681	1,405,432	198,130	81,304	2.44
1995	198,435	1,531,477	1,475,510	254,402	81,113	3.14
1996	254,402	1,584,733	1,587,982	251,153	84,791	2.96
1997	251,153	1,763,331	1,743,647	270,837	84,962	3.19
1998	270,778	1,788,100	1,782,483	276,395	88,252	3.13
1999	265,694	1,961,010	1,897,023	329,681	84,782	3.89

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Reports; state universities' audited financial statements.

**COMMONWEALTH OF KENTUCKY
DEMOGRAPHIC STATISTICS
FOR CALENDAR YEARS 1989-1998**

For the Year Ended December 31	Estimated Population	Per Capita Income	Unemployment Rate
1989	3,677,318	\$ 14,204	6.2%
1990	3,686,892 *	15,085	5.9%
1991	3,714,685	15,719	7.5%
1992	3,751,866	16,677	6.9%
1993	3,792,623	17,207	6.2%
1994	3,823,954	17,872	5.4%
1995	3,856,212	18,601	5.4%
1996	3,882,071	19,475	5.6%
1997	3,908,124	20,570	5.4%
1998	3,936,499	21,551	4.6%

SOURCE: U.S. Department of Commerce, Bureau of Census; U.S. Department of Commerce, Bureau of Economic Analysis;
Kentucky Cabinet for Human Resources

NOTE: * Revised 1990 census count

**COMMONWEALTH OF KENTUCKY
CONSTRUCTION AND BANK DEPOSITS
FOR CALENDAR YEARS 1989-1998**

(Expressed in Thousands, Except Number of Units)

For the Year Ended December 31	Non-Residential Construction		Residential Construction		Bank Deposits
	Number of Units	Value	Number of Units	Value	
1989	8,254	\$ 626,716	12,656	\$ 779,383	\$ 31,741,423
1990	7,823	655,650	11,810	771,010	33,487,743
1991	7,908	582,450	11,961	784,108	34,076,826
1992	8,437	677,181	14,689	1,023,682	34,882,000
1993	8,952	797,365	15,907	1,172,971	35,112,000
1994	10,024	801,728	18,554	1,370,011	37,352,000
1995	10,025	1,247,662	17,625	1,276,432	37,893,000
1996	See Note	See Note	18,778	1,484,079	39,769,000
1997	See Note	See Note	18,114	1,483,895	38,247,000
1998	See Note	See Note	20,640	1,730,505	39,921,000

SOURCE: U.S. Department of Commerce, Bureau of Census; Federal Deposit Insurance Corporation

NOTE: Beginning January 1996, the Bureau of Census, Building Permits Section has discontinued collection of Nonresidential Data due to budget reductions.

COMMONWEALTH OF KENTUCKY
SOURCES OF PERSONAL INCOME
FOR CALENDAR YEARS 1989-1998
(Expressed in Millions, Except Percent Data)

Source	1989		1990		1991		1992		1993	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,042	2.8%	\$ 960	2.5%	\$ 983	2.4%	\$ 1,169	2.6%	\$ 1,012	2.2%
Agriculture Services, Forestry, Fisheries and Others	229	0.6%	253	0.6%	282	0.7%	297	0.7%	310	0.7%
Mining	1,540	4.2%	1,673	4.3%	1,516	3.7%	1,509	3.4%	1,470	3.2%
Manufacturing	8,479	22.9%	8,983	23.0%	8,941	22.1%	9,716	22.0%	10,347	22.3%
Construction	2,182	5.9%	2,204	5.6%	2,165	5.3%	2,426	5.5%	2,646	5.7%
Wholesale and Retail Trade	5,631	15.2%	5,882	15.0%	6,143	15.2%	6,590	14.9%	6,927	15.0%
Finance, Insurance and Real Estate	1,634	4.4%	1,742	4.5%	1,810	4.5%	2,051	4.6%	2,326	5.0%
Transportation and Public Utilities	2,653	7.2%	2,812	7.2%	2,986	7.4%	3,188	7.2%	3,341	7.2%
Services	7,395	20.0%	7,938	20.3%	8,469	20.9%	9,345	21.2%	9,951	21.5%
Government and Government Enterprises	6,169	16.7%	6,645	17.0%	7,207	17.8%	7,871	17.8%	7,993	17.3%

Source	1994		1995		1996		1997		1998	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,009	2.1%	\$ 578	1.1%	\$ 844	1.6%	\$ 1,202	2.1%	\$ 1,451	2.4%
Agriculture Services, Forestry, Fisheries and Others	322	0.7%	340	0.7%	348	0.7%	378	0.7%	427	0.7%
Mining	1,479	3.0%	1,356	2.7%	1,303	2.5%	1,327	2.3%	1,354	2.3%
Manufacturing	11,086	22.7%	11,501	22.8%	11,661	22.1%	12,446	22.0%	13,015	21.6%
Construction	2,844	5.8%	2,888	5.7%	3,119	5.9%	3,390	6.0%	3,627	6.0%
Wholesale and Retail Trade	7,395	15.2%	7,870	15.6%	8,248	15.6%	8,814	15.6%	9,477	15.8%
Finance, Insurance and Real Estate	2,320	4.8%	2,466	4.9%	2,645	5.0%	2,845	5.0%	3,041	5.1%
Transportation and Public Utilities	3,567	7.3%	3,702	7.3%	3,912	7.4%	4,196	7.4%	4,643	7.7%
Services	10,470	21.5%	11,212	22.2%	11,916	22.5%	12,748	22.6%	13,655	22.7%
Government and Government Enterprises	8,243	16.9%	8,598	17.0%	8,878	16.8%	9,166	16.2%	9,473	15.7%

SOURCE: Kentucky Cabinet for Economic Development, Division of Research

NOTE: Percentages may not add to 100% due to rounding.

COMMONWEALTH OF KENTUCKY
TOP 10 MANUFACTURERS
(Ranked by Number of Employees)
1999

<u>Company</u>	<u>Number of Plants</u>	<u>Number of Employees</u>
General Electric Company	6	10,620
Ford Motor Company	2	8,567
Toyota Motor Corporation	1	8,500
Lexmark International Group	1	6,000
Johnson Controls, Incorporated	12	5,313
Dana Corporation	11	3,731
Emerson Electric Company	8	3,035
Publishers Printing	2	2,746
R.R. Donnelly and Sons Company	2	2,400
Matsushita Electric Incorporated Company	2	2,200

SOURCE: 1999 Kentucky Top 10 Manufacturers, provided by Kentucky Cabinet for Economic Development, Division of Research

COMMONWEALTH OF KENTUCKY
SCHEDULE OF MISCELLANEOUS STATISTICS
JUNE 30, 1999

Adoption of Kentucky Constitution	1792
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	39,650
Miles of Highways, Roads and Streets	73,637

Police Protection:

Statewide Jurisdiction	
Number of Kentucky State Police Posts	16
Number of Sworn Officers	973
Number of Other Statewide Agencies	7
Number of Officers	701
County Jurisdictions	
Number of Sheriffs	120
Number of Deputies	1,169
Number of County Departments	13
Number of County Officers	625
Local Jurisdictions	
Number of Departments	237
Number of Sworn Officers	3,764
College and Universities	
Number of Departments	11
Number of Sworn Officers	164

Higher Education:

State Supported Universities and Community Colleges	
Number of Campuses	22
Number of Full-Time Instructional Faculty	5,279
Number of Students, Fall 1998	148,114
Private Colleges and Universities	
Number of Campuses	20
Number of Full-Time Instructional Faculty	1,461
Number of Students, Fall 1998	26,227

State Supported Recreation:

Number of Resort Parks	17
Number of Recreation Parks	22
Number of Historic Sites	10
Area of State Parks (acres)	43,000
Number of 1998 Overnight Visitors	1,133,225

Permanent Full-Time Executive Branch Employees	35,519
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SOURCES: Kentucky Revised Statutes

Kentucky Transportation Cabinet
Kentucky State Police
Kentucky Council on Higher Education
Kentucky Department of Parks
Kentucky Department of Personnel

COMMONWEALTH OF KENTUCKY
ENTITY RISK POOLS
CLAIMS DEVELOPMENT INFORMATION
FOR THE LAST EIGHT YEARS

(Expressed in Thousands)

State-Workers' Compensation								
	Fiscal and Policy Year Ended							
	1992	1993	1994	1995	1996	1997	1998	1999
Earned Premiums	\$ 9,263	\$ 13,426	# 14,052	\$ 12,991	\$ 14,470	\$ 14,095	\$ 16,121	\$ 17,351
Earned Investment Income								
Total	<u>9,263</u>	<u>13,426</u>	<u>14,052</u>	<u>12,991</u>	<u>14,470</u>	<u>14,095</u>	<u>16,121</u>	<u>17,351</u>
Administrative Expense	688	821	669	401	542	554	404	513
Incurring Claims as								
Originally Estimated	11,109	11,013	15,531	12,727	14,709	14,982	13,242	13,298
Claims Paid (Cumulative) as of:								
End of Fiscal Year	3,076	3,129	3,441	3,093	3,010	2,615	2,819	2,702
One Year Later	5,626	6,308	6,492	5,797	5,882	5,626	5,697	
Two Years Later	7,034	8,163	8,207	7,588	7,560	7,156		
Three Years Later	7,942	9,743	9,152	8,721	8,632			
Four Years Later	8,569	10,664	10,211	9,346				
Five Years Later	8,857	11,482	10,671					
Six Years Later	9,191	11,969						
Seven Years Later	9,479							
Re-estimation of Incurred Claims								
End of Fiscal Year	11,109	11,013	15,531	12,727	14,709	14,982	13,243	13,298
One Year Later	10,420	12,589	15,277	12,883	14,502	13,006	12,876	
Two Years Later	10,956	13,269	16,075	13,266	14,519	12,627		
Three Years Later	10,859	13,858	15,324	13,526	14,021			
Four Years Later	11,373	14,421	15,230	13,797				
Five Years Later	11,668	16,164	14,424					
Six Years Later	12,241	15,428						
Seven Years Later	12,074							
Increase (Decrease) in Estimated								
Incurred Claims From the								
Original Estimate Using								
Re-estimation as of the End								
of the Most Recent Fiscal Year	965	4,415	(1,107)	1,070	(688)	(2,355)	(366)	

SOURCE: Per Compilations Report

ACKNOWLEDGMENTS

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